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SAN FRANCISCO
PORT COMMISSION

REGULAR MEETING
4:00 P.M., TUESDAY, JANUARY 14, 2003
BAYSIDE CONFERENCE ROOM
PIER 1, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com.

AGENDA

1. **ROLL CALL**

2. **APPROVAL OF MINUTES** - December 17, 2002 Special Meeting

3. **EXECUTIVE**

   A. Executive Director's Report
   - Former Port Commissioner Arthur Coleman
   - Commendation for Ed Bubnis, Chief Building Inspector, on his retirement
   - Commendation for Ken Hayes, Senior Building Inspector, on his retirement

   B. Election of Port Commission Officers

4. **CONSENT**

   A. Request for approval to terminate Lease Nos. L-12837, L-12906 & L-12909 and License No. 12989 with Information Network Radio, Inc. at 1500 Sansome Street and 10 Lombard Street and Pier 35. (Resolution No. 03-02)

   B. Request for approval of emergency contract between the Port and Titan Maritime LLC for the emergency repair of Drydock No. 1. (Resolution No. 03-03)

5. **PLANNING & DEVELOPMENT**

   A. Request for adoption of resolution seeking City Legislative Committee's authorization to support State legislation to provide technical corrections to AB 1389 on behalf of the James R. Herman International Cruise Terminal and Mixed Use Project and the Brannan Street Wharf. (Resolution No. 03-01)

6. **NEW BUSINESS/PUBLIC COMMENT**

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Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to all Commissioners for review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

7. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

B. CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and Action Items)

a. Discuss existing litigation matter pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case):

- F. Alioto Company, Inc. et al. v. City & County of San Francisco, et al., S. F. Superior Court Case No. 318360, filed January 25, 2001.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 (1 case as defendant).

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: The Embarcadero Hotel
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Stanford Hospitality, Inc: Antony Carter

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations regarding the Embarcadero Hotel.

b. Property: Pier 50
Person Negotiating: Port: Ken Winters, Director of Real Estate
*S&C Ford: Ray Siotto

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 50.

2 50351 SFPL: ECONO JRS
45 SFPL 04/09/04 75

c. Property: 160 Jefferson Street
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Boudin Properties, Inc.: Louis Giraudo

Under Negotiation: ___ Price ___ Terms of Payment _X_ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at 160 Jefferson Street.

d. Property: Along Embarcadero
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Prospective Bidders

Under Negotiation: ___ Price ___ Terms of Payment _X_ Both
An executive session has been calendared for the Port Commission to consider the terms and conditions for establishing retail leasing policy for the Embarcadero Kiosk Program.

8. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12

B. Vote in open session on whether to disclose any or executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

9. ADJOURNMENT

JANUARY/FEBRUARY 2003
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
January 14	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
January 28	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
February 11	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
February 25	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1

NOTES:
The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 4:00 p.m., unless otherwise noticed, in the Bayside Conference Room @ Pier 1. Contact Amy Quesada at 274-0406. ***The Commission Agenda and staff reports are also posted on the Port's Website @ www.sfport.com.***

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on the third Thursday, every other month at 11:30 a.m. in Bayside 1 @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:00 to 7:00 p.m. at the Mission Bay Visitor Center (255 Channel Street). Please contact Tiffany Bohee at 749-2481 for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Pier 70 Advisory Group meets monthly on an as-needed basis generally on the 2nd Wednesday of the month from 4 to 6 p.m. at the Potrero Campus of the California College of Arts and Crafts, Board Room, 1111 – 8th Street between Irvin and Hooper. Contact Mark Paez @ 705-8674.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Please contact Tiffany Bohee at 749-2481 or 749-2400 for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every 1st Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conference Room @ Pier 1. Contact Dan Hodapp @ 274-0625.

Port Website: Check out the Port's Website at **www.sfport.com.**

ACCESSIBLE MEETING INFORMATION

Getting to Pier 1:
Pier 1 on the Embarcadero, at the foot of Washington St. The Embarcadero Station is the closest BART and MUNI Metro stop, located below Market St. at Drumm & Spear Streets. The nearest F-Line streetcar stop is on the Embarcadero at Washington St. MUNI bus lines serving the Pier 1 area are the 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142.

The nearest accessible parking is provided in the following off-street pay lots:
A) 1 space in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking.

Metered street parking is available on the Embarcadero, Washington St. and Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Commission Bayside meeting room. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Commission meeting room.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Nita Mizushima, Chief Harbor Engineer, at 274-0559. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, please contact Donna Hall, Administrator at 554-7724; fax 554-5163; e-mail address Donna_Hall@ci.sf.ca.us; City Hall, Room 244, One Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4689. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Ordinance Task Force, the San Francisco Public Library and on the City's Website at www.ci.sf.ca.us/bdsupvrs/sunshine.

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code §2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

January 8, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Request to approve termination of Lease Nos. L-12837, L-12906, L-12909 and License No. 12989 with Information Network Radio for property at 1500 Sansome Street and 10 Lombard Street; and Pier 35 (Bay Street at The Embarcadero).

DIRECTOR'S RECOMMENDATION: TERMINATE LEASE NOS. L-12837, L-12906, L-12909 AND LICENSE NO. 12989.

BACKGROUND:

In 1999, the Port issued a Request for Proposals for a single entity to lease the freestanding building at 1500 Sansome Street (Roundhouse One) and segregate the utilities. Information Network Radio, ("IN Radio"), was the successful bidder. Approval from the Port Commission and Board of Supervisors was sought and obtained.

As a result of the RFP, the Port and IN Radio entered into a series of leases. Lease L-12837 was for the free-standing building known as Roundhouse One, totaling 20,025 square feet for a term of ten years, 5/1/00 through 4/30/10, at an initial rent of $35,650 per month. Lease L-12906 was a three year lease, 5/1/00 – 4/30/03, for 2,225 square feet of office space at 10 Lombard ("Roundhouse Two"), Suite 410, at a base rent of $7,790 per month. Lease L-12909 was a month-to-month lease for 1,180 square feet of storage space at Pier 35 at $1,770/month. License L-12989 was a month-to-month agreement for 26 square feet of storage space at Roundhouse Two at $60/month.

IN Radio relocated its offices to Roundhouse Two and proceeded with development of Roundhouse One while continuing to pursue venture capital sources to fund the buildout and business development.

This Print Covers Calendar Item No. **4A**

The buildout for Roundhouse One was to be accomplished through a construction contract with CIC to remodel the building into combined offices and radio station. CIC demolished the interior of the building and began construction of base building improvements, systems, and tenant improvements. CIC continued its remodeling work until IN Radio stopped paying CIC, over a year ago.

With the economic downturn beginning in late 2000 and continuing throughout 2001 and into 2002, venture capital proved impossible to obtain. IN Radio continued to pay the rent from other radio station income, and sold a station in July 2001 to recoup some of his losses, utilizing a portion of the sale proceeds to bring rent payments current and continue to fund the construction with CIC. IN Radio initiated another drive to obtain venture capital, but funding did not materialize. Before this time, Port staff worked closely IN Radio to keep its lease payments on a current basis. Staff continued to work with IN Radio even after it stopped lease payments as it continued to pursue venture capital financing.

IN Radio sent the Port a notice of termination of Lease No. L-12837 at Roundhouse One, and vacated the space as of February 23, 2002. IN Radio stopped its lease payments for this lease as of September 2001. As of February 23, 2002, accounts receivable for Lease No. L-12837 totaled $227,938.96.

IN Radio sent a notice of termination of its office lease L-12906 at Roundhouse Two and vacated the space as of June 1, 2002. IN Radio stopped its lease payments for this lease as of November 2001. As of June 1, 2002, accounts receivable for Lease No. L-12906 totaled $61,655.10.

IN Radio sent a notice of termination of its month-to-month storage lease at Pier 35, L-12909 and its month-to-month license for storage space at Roundhouse Two, as of June 1, 2002. IN Radio stopped its payments for these agreements as of November 2001. As of June 1, 2002, accounts receivable for these agreements totaled $14,664.74.

Overall, accounts receivable due up to the date IN Radio vacated total $304,258.80. The Port applied the tenant's security deposit to the account and is pursuing collection of this arrearage while retaining its rights to pursue IN Radio to collect amounts due after those dates.

CURRENT SITUATION:

Per staff's conversations with IN Radio's legal counsel, IN Radio's satellite contracts were cancelled in summer 2002. IN Radio was unable to fulfill its contractual obligations due to its inability to secure the financing necessary to complete IN Radio's buildout and fund the startup of the business. With cancellation of the contracts, all value created by IN Radio dissolved. The company closed its doors in June 2002 and is totally insolvent.

The City Attorney's office investigators are in the process of conducting an asset search of IN Radio, Inc., and the City Attorney's office is proceeding with a breach of contract action against IN Radio to preserve the Port's rights.

The interior is now a "work in progress". Port Engineering and Maintenance evaluated the degree of buildout that was complete and estimated the cost to complete the job to be in excess of $1 million. CIC placed a lien on the premises as a result of IN Radio's non-payment, resulting in litigation for the Port, from which the Port has since been dismissed.

Port real estate staff is in the process of setting the stage to re-market Roundhouse One either by issuing Request for Proposals or through marketing directly to potential users in the leasing market. Legal is pursuing the Port's legal remedies against IN Radio with the goal of recovering the past due rent and costs and to restore the premises to a reasonably rentable condition.

RECOMMENDATION:

Port staff recommends that the Port terminate Lease No. L-12837 as of February 23, 2002, and place the lease on "no bill" status as of that date. Staff recommends that the Port terminate Lease Nos. L-12906 and the month-to month L-12909 and L-12989 as of June 1, 2002. Port staff recommends that the Port not waive its rights to collect for unpaid rent, which accrued prior to and after these dates and investigate the likelihood of collection for all amounts due.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-02

WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port area of the City and County of San Francisco; and

WHEREAS, under Charter Section 3.581(g) leases granted and made by the Port should be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, on October 1,1999, the Port entered into Lease No. L-12837 with Information Network Radio, Inc., affecting 20,025 square feet of office space at 1500 Sansome Street, SWL 318; and

WHEREAS, on March 10, 2000 the Port entered into Lease No. L-12906 (the "Lease") with Information Network Radio, Inc. affecting 2,225 square feet of office space at 10 Lombard, Suite 410, SWL 318; and

WHEREAS, on October 31, 2000, the Port entered into Storage License No. 12989 ("License") with Information Network Radio, Inc. affecting 26 square feet of storage space at 10 Lombard, Suite 318; and

WHEREAS, on April 20, 2000, the Port entered into Lease No. L-12909 ("Lease") with Information Network Radio, Inc. affecting 1,180 square feet of storage space at Pier 35; and

WHEREAS, Information Network Radio, Inc. has vacated the premises affected by Lease Nos. L-12837, L-12909 and L-12906 and License No. 12989 and delivered possession of the affected premises to the Port, now, therefore be it

RESOLVED, that the San Francisco Port Commission hereby authorizes the Executive Director or his designee to terminate Lease Nos. L-12837, L-12909, and L-12906 and License No. 12989 effective June 1, 2002 and Lease No. L-12837 effective February 23, 2002 consistent with the business terms set forth in the memorandum to the San Francisco Port Commission for Agenda Item 4A for the Port Commission meeting of January 14, 2003.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of January 14, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

January 9, 2003

TO: MEMBERS OF THE PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Approve the Port Director's execution of the emergency contract with Titan Maritime, LLC and authorize the Director to seek Board of Supervisor's approval of the emergency contract.

DIRECTOR'S RECOMMENDATION: Approval of Emergency Contract to perform salvage operations to recover Drydock #1 with Titan Maritime LLC.

BACKGROUND

On the night of November 7th, in the height of a significant Pacific storm, Drydock # 1 a 650' long steel drydock broke loose from thirteen moorings at Pier 70 and drifted until it ran aground at Yerba Buena Island. There were no injuries, polution or significant damage to any other structures.

On November 12, 2002, Port Commission President Michael Hardeman declared that an actual emergency existed with regards to Drydock #1. Immediately after the drydock ran aground, Port staff in concert with the U.S. Coast Guard developed a salvage plan that entailed the hiring of a professional salvage company, Titan Maritime, LLC to refloat and remove Drydock #1 from Yerba Buena. This contract was entered into on the basis of an emergency declaration by the Port. On December 8th the drydock was successfully removed from Yerba Buena to the Port. It was subsequently brought to San Francnisco Drydock for additional repairs where it remains today under twenty-four hour watch.

This Print Covers Calendar Item No. **4B**

Titan Maritime has successfully completed its scope of work under the contract and had demobilized and withdrawn its equipment submitting charges totaling $1,026,450. Persuant to Administrative Code Section 6.60, the Port also notified the Controller and the Board of Supervisors of the existence of the emergency and will now seek Board approval.

While the drydock in now stable and relatively safe, it is the staff's view that it is in the Port's best interest to work towards the ultimate removal of the vessel from the Port's responsibility. We are actively looking at various disposal options.

Staff recommends approval of the emergency contract with Titan Maritime LLC.

Prepared by: Peter Dailey
Director of Maritime

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-03

WHEREAS, On November 12, 2002, Port Commission President Michael Hardeman declared that an actual emergency existed with regard to Drydock #1 when the Drydock ran aground at Yerba Buena Island during a high wind storm, after it broke loose from its berth and caused damage by pulling two large bollards off the pier; and

WHEREAS, Pursuant to the emergency declaration, the Port entered into an emergency contract with Titan Maritime, Inc. to perform salvage operations to recover Drydock #1 and transport it to a safe harbor at the Port; and

WHEREAS, Titan Maritime, Inc. assisted in securing the Drydock at its resting place at Yerba Buena Island, performed an underwater assessment to determine the best procedure to recover the Drydock, executed temporary welding and repairs to the hull, obtained and operated pumping equipment to refloat the Drydock, provided tugs and pilots for the transport to a safe berth on December 12, 2002, and assumed round the clock custodial care, including insurance and indemnity, between December 12 and December 22, 2002, when the Drydock #1 was received into Drydock #2 for further repairs; and

WHEREAS, By January 6, 2003, Titan Maritime completed its scope of work under the contract to date, and has demobilized and withdrawn its equipment, submitting charges totaling $1,026,450; and

WHEREAS, Pursuant to Administrative Code Section 6.60, the Port notified the Controller and the Board of Supervisors of the existence of the emergency and the need for the emergency contract, and must now seek Board approval of the contract as it exceeded $250,000; and, now therefore, be it

RESOLVED, The Port Commission approves the Port Director's execution of the emergency contract with Titan Maritime, Inc., and authorizes the Director to seek Board of Supervisor's approval.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of January 14, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

January 8, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Adoption of Resolution Supporting Technical Corrections to Assembly Bill 1389 for the James R. Herman International Cruise Terminal and Mixed Use Development and Brannan Street Wharf

DIRECTOR'S RECOMMENDATION: ENDORSE AND SUPPORT TECHNICAL CORRECTIONS TO A.B. 1389 AND SEEK AUTHORIZATION TO REQUEST AND SUPPORT INTRODUCTION OF STATE LEGISLATION.

BACKGROUND

On May 25, 1999, the Port Commission approved Resolution No. 99-36, authorizing Port staff to issue an RFQ/P for the design and development of the Bryant Street Pier Project, including the James R. Herman Cruise Terminal, on Pier 30-32 and Seawall Lot 330 (Cruise Terminal project). On January 11, 2000, after an extensive review and evaluation of qualifications and proposals received, the Port Commission approved Resolution No. 00-03, authorizing Port staff to enter into exclusive negotiations with San Francisco Cruise Terminal LLC (SFCT) for the Project. The Port and the Developer signed an Exclusive Right to Negotiate (ERN) on January 25, 2000.

As originally proposed, the project included a two berth cruise terminal, commercial retail, office, parking and open space on Pier 30-32, and a 400 room hotel and 111 time share units on Seawall Lot 330. SFCT has diligently pursued its due diligence to determine project programming and feasibility. SFCT has conducted market research into various aspects of the project, undertaken physical and engineering investigations about the pier and worked to address concerns about the cruise terminal. As a result of these investigations, SFCT discovered that the cost of seismically retrofitting the pier was significantly greater than their initial estimates. To offset these increased costs, SFCT proposed to increase the amount of office space and to substitute more marketable condominium units as an alternative to the hotel and time-share units.

This Print Covers Calendar Item No. 5A

Starting August 2000, Port staff, in conjunction with SFCT, worked with the respective staffs of the State Lands Commission (SLC) and Bay Conservation and Development Commission (BCDC) to address the public trust issues raised by the inclusion of more office and, to a lesser extent, certain retail uses, such as grocery, theater uses, and neighborhood-serving retail. After a year of discussions with SLC, BCDC and the Attorney General's Office regarding the public trust consistency of these uses, the SLC staff informed the Port in August, 2001 that the authorization of the use program would require action by the State Legislature in the exercise of its retained power as trustee.

The and SFCT then commenced a collaborative effort with representatives from the SLC, BCDC, Attorney General's Office and other interested groups to draft legislation necessary to solve the public trust issues. Because the project had already been delayed for more than a year, the Port staff believed that it was critical to the Cruise Terminal project schedule to pursue legislation in the 2001 legislative session. Without that legislation, the project would have been delayed by another year if approved in the 2002 legislative session. Passage of the legislation was essential to determine the permitted uses and scope of the project, thereby allowing the Port and SFCT to commence negotiations.

After intensive consultation with many public agencies over this legislation, State legislation was quickly drafted and it was introduced by Assembly Member Kevin Shelley on September 7, 2001 as A.B. 1389. In September 2001, the Port Commission expressed its support on the bill through Resolution No. 01-75. A.B. 1389 passed by the full Senate and Assembly on September 14, 2001 and was later signed by the Governor. The legislation:

- ratified the BCDC Bay Plan and Special Area Plan as furthering the health, safety and welfare of the Bay Area;
- allowed for the sale of the former Main Street right-of-way, a section of Seawall Lot 330, and provided judicial validation of that action;
- allowed 300,000 of leasable square feet of general office space on Pier 30-32, all of which must be above the ground level promoting visual and public access but allow an additional 25,000 leasable square feet of general office space for a maximum of 14 years which then would convert to trust use;
- allowed non-trust consistent retail (i.e. neighborhood serving uses such as a movie theater); the amount of trust consistent retail (visitor serving uses such as a restaurant) could be equal to or greater than the non-trust retail, but the amount of total retail space would be at least 40% of the total amount of office leasable space; and
- accelerated the timing of the completion of the Brannan Street Wharf such that the Port is required to a) construct the northern portion of the Wharf contemporaneously with the Cruise Terminal development, and b) remove Pier 36 and complete the Wharf no later than five years after the commencement of the Cruise Terminal construction.

A.B. 1389 also stipulated that the Port approve the final design concept prior to submittal of a major permit application to BCDC and encumber all funds necessary for the Wharf and has place these funds in a segregated account prior to the issuance of a BCDC permit so that it is guaranteed to be available to be drawn upon for the construction of the Wharf. The Port and BCDC must also enter into an enforceable agreement that requires the Port to fund and complete the Wharf consistent with the aforementioned time frame.

ANALYSIS

Significantly, the passage of A.B. 1389 clarified what uses could be built on Piers 30-32, which has allowed negotiations with SFCT to proceed. Over the next several months, Port staff and SFCT have made significant progress in negotiations resulting in a non-binding Term Sheet which was incorporated into the Port Commission-approved ERN extension for SFCT on June 25, 2002. The Term Sheet has been used as the basis for further detailed negotiation of the Lease Disposition and Development Agreement, Pier 30-32 Lease, SWL 330 Purchase and Sale Agreement and related documents. It is anticipated that these documents will be presented to the Port Commission and the Board of Supervisors in the near future, pending final certification of the Supplemental Environmental Impact Report (SEIR). The SEIR was initially certified by the Planning Commission on May 9, 2002, but then appealed by an environmental organization to the Board of Supervisors. The Board remanded the SEIR back to the Planning Department on June 24, 2002. The SEIR was re-certified by the Planning Commission on November 21, 2002. This certification is currently subject to a second appeal to the Board of Supervisors. A hearing is scheduled for January 13, 2003.

In the Port's staff report of September 20, 2001, it was acknowledged that there was a Legislative counsel staff error in the legislation. This was due to the compressed time frame of the Legislature's session following the September 11, 2001 tragedy. Accordingly, there are a few typographical errors in the bill and these should be corrected to make it consistent with the original, intended language that Port staff presented to various reviewing agencies and organizations.

Working in collaboration with the staffs of SLC, BCDC and other interested parties, the Port has identified certain minor corrections to A.B. 1389. Specifically, these corrections consist of the following:

- Section 1(j), page 3, line 9: strike "or";
- Section 5(g), page 11, line 19: strike "as" and insert "development if";
- Section 5(g), page 11, line 23: strike ",indoor public assembly";
- Section 5(g), page 11, line 25: strike "and";
- Section 5(g), page 11, line 39: insert "trust" after "act";
- Section 7, page 11, line 40: strike "trust"

Attachment A shows the final language of A.B. 1389 as approved, with insertion of the proposed corrections. These corrections are minor in nature and reflect the intent of the original bill. Working in conjunction with City's Legislative Analyst and interested parties, Port staff will be pursuing legislation in the upcoming legislative session.

STAFF RECOMMENDATION

Staff recommends that the Port Commission endorse and support technical corrections to A.B. 1389 and seek authorization to request and support introduction of State legislation.

Prepared by: John Doll
Project Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-01

WHEREAS, The Port Commission is the trustee of those certain lands located along the San Francisco waterfront transferred to the City and County of San Francisco, in trust, by transfer agreement pursuant to the Burton Act (Chapter 1333 of the Statutes of 1968, as amended); and

WHEREAS, Pursuant to the Burton Act, the Commission has complete authority to do all things it deems necessary in connection with the use, conduct, operation, management, maintenance, regulation, improvement and control of the harbor of San Francisco which are not prohibited by State law or the City Charter and which are in conformance with the Burton Act, including reconstruction and repair of public or commercial buildings, preservation or restoration of marine resources, and the lease of said facilities for limited periods not exceeding 66 years for purposes consistent with the trusts upon which the lands are held by the State and with the requirements of commerce and navigation; and

WHEREAS, In 1997, the Port of San Francisco adopted the Waterfront Land Use Plan, representing the culmination of hundreds of public meetings, thousands of hours of staff time, and the full input of a state agency, the San Francisco Bay Conservation and Development Commission (BCDC), which also exercises trust responsibilities along the San Francisco Waterfront; and

WHEREAS, Subsequently, after more than five years of negotiation and discussion, on July 20, 2000, BCDC adopted amendments to its Special Area Plan for the San Francisco Waterfront and the Port adopted conforming amendments to the Waterfront Plan to ensure that both plans were consistent with each other; and

WHEREAS, The Waterfront Land Use Plan and the Special Area Plan recognize that the development of Pier 30-32 and the surrounding area within the South Beach/China Basin Subarea identified in the Waterfront Land Use Plan should further the trust purposes of increasing maritime activities and expanding public use and enjoyment of the waterfront on trust lands at this location; and

WHEREAS, In 1998, the Port evaluated alternative locations for a new cruise ship terminal and concluded that Pier 30-32 was the most viable site for a new cruise terminal in San Francisco because of dredging, site configuration and development considerations; and

WHEREAS, The Pier 30-32 platform bayward of the Embarcadero consists of obsolete, pile-supported piers structures that are physically no longer capable of serving most trust-related purposes without substantial modification and repair; and

WHEREAS, on May 25, 1999 the Commission approved Resolution No. 99-36, authorizing Port staff to issue a Request for Qualifications and Proposals ("RFQ/P) for the Bryant Street Pier Project, in order to assess the availability of private investment

to achieve its development objectives and determine and level of interest in the private sector; and

WHEREAS, the RFQ/P identified the following project goals and objectives: (1) provide a signature mixed use waterfront project which achieves a high level of year-round public use and support; (2) include development of the state-of-the-art Cruise Terminal which enhances the Port's international reputation as a first class cruise destination and preserves and creates new maritime jobs on this site and through San Francisco's waterfront; (3) achieve a use and design program which respects and complements the existing South Beach neighborhood; and (4) provide for the enhancement of the Port's financial position over the term of the leasehold; and

WHEREAS, on January 11, 2000 the Commission approved Resolution No. 00-03, awarding SFCT the opportunity to enter into an Exclusive Right to Negotiate agreement; and

WHEREAS, Port staff and SFCT have worked diligently to develop information, resolve potential problems, negotiate financial terms and risk allocation, including responding to pier conditions and costs necessary for construction of the cruise terminal that are significantly in excess of those anticipated, while adhering to the project major goals, primary objectives and criteria for evaluation, as set forth above, at minimal cost and risk to public trust resources; and

WHEREAS, the Cruise Terminal design features a two-berth, major international cruise ship terminal with all required and attendant facilities, consistent with the Waterfront Plan and San Francisco General Plan policies to retain and support maritime facilities in mixed-use settings wherever possible in the South Beach/China Basin Subarea; and

WHEREAS, the development program proposed by the developer includes a mix of extensive public access amenities, facilities for waterborne transit, trust-consistent retail uses, and incidental office and retail uses designed to deliver a unique, vibrant and economically feasible project consistent with the objectives of the Waterfront Plan, Special Area Plan, and RFQ/P; and

WHEREAS, Pursuant to the Special Area Plan implementation requirements, the Port has committed to the construction of public access improvements immediately to the south of the Bryant Street Pier project, known as the Brannan Street Wharf; and

WHEREAS, The Brannan Street Wharf will provide an essential recreational element to serve the Public Trust as provided in the Special Area Plan; and

WHEREAS, The Port requested concurrence from the State Lands Commission staff and the Attorney General's office that the proposed mixed-use Cruise Terminal development is consistent with the Public Trust; and

WHEREAS, After an intensive collaborative effort between the Port, the Attorney General's office, BCDC staff and other interested groups, including Save San Francisco Bay Association, agreed upon legislation necessary to solve the public trust issues presented by the Cruise Terminal project; and

WHEREAS, The Port sought State Legislative authorization, in the exercise of its retained power as trustee of the Public Trust, to approve a cruise terminal development on the San Francisco waterfront at Pier 30-32 which includes general office use and general retail use and in view of the unique circumstances existing at Pier 30-32 and the considerable statewide public benefit and promotion of maritime transportation that will be brought about by construction of a new passenger cruise terminal, improvements to berthing facilities for waterborne transit, a lagoon, improved public access and commercial Public Trust uses at Pier 30-32 this site; and

WHEREAS, State authorization was obtained through Assembly Bill AB 1389 which passed both the full Senate and Assembly on September 14, 2001, and was approved by the Governor; and

WHEREAS, Assembly Bill No. 1389 will enable construction of the James R. Herman International Cruise Terminal and accelerate the completion of the Brannan Street Wharf; and

WHEREAS, There were minor technical corrections that the Port, BCDC and the State Lands Commission staff identified as being required to AB 1389 consistent with the intent of those parties in seeking the legislation; and

WHEREAS, This Port Commission now seeks the authorization of the City's legislative committee to support clean up legislation to make the following corrections to AB 1389:

1. Section 1(j), page 3, line 9: strike "or";
2. Section 5 (g), page 11, line 19: strike "as" and insert "development if";
3. Section 5(g), page 11, line 23: strike ",indoor public assembly";
4. Section 5 (g), page 11, line 25: strike "and";
5. Section 5 (g), page 11, line 27: strike "approved by BCDC," after "retail";
6. Section 7, page 11, line 39: insert "trust" after "Act";
7. Section 7, page 11, line 40: strike "trust"; now, therefore, be it

RESOLVED, That the Port Commission endorses and supports the aforementioned technical corrections to Assembly Bill No. 1389 and seeks authorization to request and support introduction of State legislation to accomplish the same.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 14, 2003.

_____
Secretary

AMENDED IN SENATE SEPTEMBER 14, 2001

AMENDED IN SENATE SEPTEMBER 13, 2001

AMENDED IN SENATE SEPTEMBER 7, 2001

AMENDED IN SENATE JULY 12, 2001

AMENDED IN SENATE JUNE 20, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL No. 1389

Introduced by Assembly Member Shelley

February 23, 2001

An act relating to lands granted in trust to the City and County of San Francisco.

LEGISLATIVE COUNSEL'S DIGEST

AB 1389, as amended, Shelley. San Francisco waterfront: cruise ship terminal development.

Under existing law (the Burton Act), the state granted certain lands to the City and County of San Francisco in trust for purposes of commerce, navigation, and fisheries, and subject to specified terms and conditions relating to the operation of the Port of San Francisco. Existing law (the McAteer-Petris Act) establishes the San Francisco Bay Conservation and Development Commission and requires the commission to regulate fill and development within a specified area in San Francisco Bay.

This bill would declare specified areas along the San Francisco waterfront to be free from the public trust for commerce, navigation,

ATTACHMENT 'A'

and fisheries, as provided, and would authorize the San Francisco Port Commission to approve a cruise ship terminal development, other maritime facilities, and commercial and office space on a specified area of the San Francisco waterfront. The bill would authorize the State Lands Commission to convey to the City and County of San Francisco all of the rights, title, and interest held by the state in trust to specified lands along the waterfront, but would prescribe terms and conditions for the use of those lands in connection with the cruise ship terminal development, as provided.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. For purposes of this chapter, the following terms have the following meanings:

(a) "BCDC" means the San Francisco Bay Conservation and Development Commission established pursuant to Section 66620 of the Government Code.

(b) "Bay jurisdiction" means the jurisdiction, powers, and duties of BCDC pursuant to Title 7.2 (commencing with Section 66600) of the Government Code within the area defined in subdivision (a) of Section 66610 of the Government Code.

(c) "Bay Plan" means the San Francisco Bay Plan as adopted and administered by BCDC pursuant to Title 7.2 (commencing with Section 66600) of the Government Code, including all amendments thereto.

(d) "Boundary of the Port of San Francisco" means that line defining the boundary of "Parcel A" in the description of the lands transferred in trust to the City and County of San Francisco pursuant to Chapter 1333 of the Statutes of 1968, recorded on May 14, 1976, in Book C169, pages 573 to 664, inclusive, in the City and County of San Francisco Recorder's Office.

(e) "Brannan Street Wharf" means a major San Francisco waterfront park in the area of Piers 34 and 36, as identified in the Special Area Plan.

(f) "Burton Act" means Chapter 1333 of the Statutes of 1968, as amended.

(g) "Burton Act trust" means the statutory trust imposed by the Burton Act (Chapter 1333 of the Statutes of 1968, as amended),

pursuant to which the state conveyed to the City and County of San Francisco, in trust, by transfer agreement, and subject to certain terms, conditions, and reservations, the state's interest in certain tide and submerged lands.

(h) "City" means the City and County of San Francisco.

(i) "McAteer–Petris Act" means Title 7.2 (commencing with Section 66000) of the Government Code.

(j) "Public trust" or "trust" means the public trust for commerce, or navigation and fisheries.

(k) "Port" means the City and County of San Francisco acting by and through the San Francisco Port Commission.

(*l*) "San Francisco Bay" means those areas defined in Section 66610 of the Government Code.

(m) "San Francisco waterfront" means those portions of the area transferred to the port pursuant to the Burton Act that also lie within the area defined in subdivisions (a) and (b) of Section 66610 of the Government Code.

(n) "Seawall Lot 330" means that parcel of property located in San Francisco identified on that certain map entitled SUR 790, and shown on Page 318 of the City and County of San Francisco 100 Scale Ownership Maps, which is on file with the city's Bureau of Street Use and Mapping.

(o) "Shoreline band jurisdiction" means the jurisdiction, powers, and duties of BCDC pursuant to Title 7.2 (commencing with Section 66600) of the Government Code to regulate uses within the area defined in subdivision (b) of Section 66610 of the Government Code to ensure, in part, maximum feasible public access, as prescribed in Section 66632.4 of the Government Code.

(p) "Special Area Plan" means the San Francisco Waterfront Special Area Plan, dated July 20, 2000, adopted by BCDC, as amended from time to time.

(q) "Street" means those lands located within the South Beach/China Basin Planning area of the San Francisco waterfront at Seawall Lot 330, and also lying within Parcel A of those lands transferred to the City and County of San Francisco pursuant to the Burton Act, as recorded May 14, 1969, in Book C 169 at Pages 573 to 664, inclusive, in the San Francisco Recorder's office, as more particularly described as that portion of Main Street, located between Bryant Street and the Embarcadero, vacated per Ordinance 14-93 on January 11, 1993, on file with the San

Francisco Bureau of Street Use and Mapping, in Book 10, Page 94. All streets and street lines described in the preceding sentence are in accordance with that certain map entitled SUR 790, and shown on Page 318 of the City and County of San Francisco 100 Scale Ownership Maps, on file with the City's Bureau of Street Use and Mapping.

(r) "Waterfront Land Use Plan" means the Waterfront Land Use Plan, including the Waterfront Design and Access Element, adopted by the port pursuant to Resolution No. 97–50, as amended from time to time.

SEC. 2. The Legislature finds and declares all of the following:

(a) In 1965, the Legislature adopted the McAteer–Petris Act to protect and enhance the San Francisco Bay and its natural resources. The McAteer–Petris Act grants BCDC regulatory authority over further filling in San Francisco Bay through exercise of its bay jurisdiction, and limits that activity to (1) water-oriented uses that meet specified criteria; (2) minor fill that improves shoreline appearance or public access; and (3) activities necessary for the health, safety and welfare of the public in the entire bay area. The McAteer-Petris Act also authorizes BCDC to require the provision of maximum feasible access to the bay consistent with the project over a 100-foot shoreline band through the exercise of its shoreline band jurisdiction.

(b) In 1969, pursuant to the Burton Act, the state conveyed by transfer agreement certain state tide and submerged lands to the Port. The lands are held by the Port in trust for purposes of commerce, navigation, and fisheries, and are subject to the terms and conditions specified in the Burton Act and the public trust. During the three decades since passage of the Burton Act, issues have arisen concerning the application of the McAteer–Petris Act to the piers along the San Francisco waterfront. To address those issues, BCDC and the Port undertook two intensive and careful planning processes, which lasted over nine years.

(c) The first process culminated in 1997 with the adoption by the Port of the Waterfront Land Use Plan and with the adoption by the Board of Supervisors of the City and County of San Francisco and the Planning Commission of the City and County of conforming amendments to the City's General Plan and Planning Code.

(d) In July 2000, after the second five-year cooperative process involving the Port, BCDC, the Save San Francisco Bay Association, and numerous interested community groups and individuals, was completed, the Port adopted further amendments to the Waterfront Land Use Plan. BCDC also adopted amendments to the Special Area Plan which is incorporated into, and made a part of, the San Francisco Bay Plan, to create consistent plans for the area of the San Francisco waterfront between Pier 35 and China Basin. At the present time, the Waterfront Land Use Plan addresses specific McAteer–Petris Act issues relating to public access and the preservation and enhancement of open water as a bay resource in this area. The plan also defines public access opportunities on each pier in this area and calls for the removal of certain additional piers to enhance water views and create additional bay surface area.

(e) A major objective of the joint effort described in subdivisions (b), (c), and (d) is to establish a new criterion in the San Francisco Bay Plan that would permit fill on the San Francisco waterfront in an area where a Special Area Plan has been adopted by BCDC for uses that are consistent with the public trust and the Burton Act trust. The Special Area Plan for the area between Pier 35 and China Basin should provide for all of following:

(1) The nature and extent of maximum feasible public access for the piers including perimeter access, a history walk on most piers, and other significant access features on piers where appropriate.

(2) Two major public plazas, the Brannan Street Wharf adjacent to Pier 30-32 and another in the vicinity of Pier 27.

(3) A public planning process to lead to the creation of a third major public plaza in the Fisherman's Wharf area.

(4) The removal of certain piers to uncover additional bay surface.

(5) The creation and funding of a special fund within the Port to finance the removal of the selected piers and the construction and maintenance of those public plazas.

(6) A historic preservation mechanism to ensure preservation of important historic resources on the piers.

(7) The ability of the Port to repair, improve, or use the piers not designated for removal between Pier 35 and China Basin for

any purpose consistent with the Burton Act, the public trust and the Special Area Plan.

(f) The San Francisco waterfront, which has been the subject of this planning process, provides benefits to the entire bay area, and serves as a unique destination for the region's public. These regionwide benefits include enjoyment of a unique, publicly owned waterfront that provides special maritime, navigational, recreational, cultural, and historical benefits that serve the bay area. Accordingly, the adoption by BCDC, and the ratification by the Legislature, of the Special Area Plan, as amended, is necessary to protect the health, safety, and welfare of the public in the entire bay area for purposes of subdivision (f) of Section 66632 of the Government Code.

SEC. 3. The Legislature also hereby finds and declares all of the following with respect to Seawall Lot 330 and the street:

(a) The lands comprising the street are tide and submerged lands that have been filled and reclaimed, and were reserved to the state solely for street purposes.

(b) The filled and reclaimed tide and submerged lands constituting the street have been filled and reclaimed for, and in connection with, a highly beneficial plan of improvement for harbor development.

(c) The street is not used, suitable, or necessary for navigation purposes and is not necessary, or used for street purposes.

(d) The street or any interests in the street that are to be sold by the city, and over which the Burton Act trust and the public trust will be terminated, constitute a relatively small portion of the granted tide and submerged lands.

(e) Section 3 of Article X of the California Constitution permits the sale to any city, county, city and county, municipal corporation, private person, partnership, or corporation of tidelands reserved to the state solely for street purposes, which tidelands the Legislature finds and declares are not used and not necessary for navigation purposes, subject to such conditions as the Legislature may impose to protect the public interest.

(f) The existence of the street limits the potential development of Seawall Lot 330. The proposed sale will be consistent with Section 3 of Article X of the California Constitution, if all of the following conditions are met:

(1) The consideration for the sale of the street, pursuant to Section 3 of Article X of the California Constitution, shall be the fair market value of those lands or interests in the lands.

(2) The street to be sold by the city and over which the public trust or the Burton Act trust, or both trusts, will be terminated has been filled and reclaimed, and the street consisting entirely of dry land lying above the present line of mean high tide is no longer needed or required for the purposes of the public trust or the Burton Act trust.

(3) The street to be sold by the city and over which the public trust or the Burton Act trust, or both trusts, will be terminated has been cut off from direct access to the waters of San Francisco Bay by past filling of intervening property for a major roadway (the Embarcadero), which has provided, and will continue to provide, lateral public access to the water.

(4) The street was reserved to the state for street purposes and is not used or necessary for navigation purposes. Therefore, in accordance with Section 3 of Article X of the California Constitution, that street can and should be conveyed into private ownership for uses consistent with, and in furtherance of, this act.

(5) The sale of the street shall occur only in conjunction with a simultaneous exchange of the state's sovereign title in Seawall Lot 330 pursuant to Chapter 310 of the Statutes of 1987, according to the terms and conditions required by the State Lands Commission, or other disposition of the state's sovereign title in Seawall Lot 330 approved by the State Lands Commission or the Legislature.

(g) It is therefore the intent of the Legislature, subject to the terms and conditions set forth in this act to authorize the city to dispose of the street for private use free from the public trust or the Burton Act trust.

SEC. 4. The Legislature further finds and declares that the following unique circumstances exist at Pier 30-32 on the San Francisco waterfront, and that therefore, this act sets no precedent for any other location or project in the state:

(a) The Pier 30-32 platform bayward of the Embarcadero consists of an obsolete, pile-supported pier structures that are physically no longer capable of serving most trust-related purposes without substantial modification and repair.

(b) San Francisco is the center of northern California's cruise activity. The need for a new cruise ship terminal has been recognized for over 40 years, most recently in a 1998 assessment by the Port that found that cruise industry experts considered the present terminal at Pier 35 on the San Francisco waterfront to be inferior to other cruise terminals in the United States. That assessment also concluded that the existing San Francisco passenger terminal at Pier 35 cannot accommodate modern cruise ships. Without a new passenger terminal, California stands to lose a significant portion of the cruise ship business it presently enjoys, which would also adversely affect the many maritime industries dependent on a healthy cruise industry.

(c) The Port's 1998 assessment evaluated alternative locations for a new cruise ship terminal and concluded that Pier 30-32 was the most viable site for a new cruise terminal in San Francisco because of dredging, site configuration, and development considerations.

(d) The Waterfront Land Use Plan and the Special Area Plan recognize that the development of Pier 30-32 and the surrounding area within the South Beach/China Basin subarea identified in the Waterfront Land Use Plan would further the public trust purposes of increasing maritime activities and expanding public use and enjoyment of the waterfront on trust lands at this location.

(e) The Port has solicited proposals and has chosen a developer for a mixed-use development at Pier 30-32, the primary purposes of which are to promote waterborne transportation at the port by constructing the James R. Herman International Cruise Terminal at Pier 30-32, and to further public use and enjoyment of the tidelands at this location by providing boat berths, public access, and substantial ground floor commercial public trust uses.

(f) In addition to being a destination for cruise ships, the planned improvements include berthing facilities for waterborne transit, such as water taxis and commercial excursion and recreational boats that will promote local waterborne transit and establish the proposed development at Pier 30-32 as a water-side destination for recreational boating.

(g) The Brannan Street Wharf will lie adjacent to Pier 30-32. Pursuant to the Special Area Plan implementation requirements, the approval and construction of the proposed development at Pier 30-32 requires that the construction of Phase I of the Brannan

Street Wharf be completed no later than five years after the issuance of a certificate of occupancy for the major reuse of Pier 30-32, and that the entire Brannan Street Wharf be completed no later than 15 years after issuance of a certificate of occupancy for the major reuse of Pier 30-32, if grant funds or other funding are available, or 20 years if not. The Brannan Street Wharf will provide an essential recreational element to serve the public trust as provided in the Special Area Plan. Accordingly, it is desirable that the construction of the Brannan Street Wharf be accelerated.

(h) The Port is committed to the construction of the Brannan Street Wharf earlier than required under the Special Area Plan through investment of approximately fifteen million dollars ($15,000,000) for the removal of 175,000 square feet of pile-supported fill and development of public access improvements, to be funded primarily by revenue from port operations, including the development of Pier 30-32.

(i) The proposed development of a cruise ship terminal at Pier 30-32 will require a substantial capital investment to improve the piles and decking. The Port must conserve port revenue to support those maritime uses and public improvements for which private investment is not economical. Therefore, the Port cannot directly fund all necessary capital improvements to construct new needed maritime facilities, including a new passenger terminal and associated improvements.

(j) Under applicable regulations, and due to the limited, seasonal (May through September) nature of the cruise ship operation, cruise ships will use the cruise terminal only approximately 65 to 100 days per year.

(k) The inclusion of public access structures, a lagoon, transient boat berthing, commercial public trust uses, together with a new passenger terminal, promotes the trust objectives of furthering maritime commerce and improving public access and use on the San Francisco waterfront.

(*l*) The inclusion of upper level general office space at Pier 30-32 is proposed because it provides a needed incentive for private investment. To the extent the office space is not occupied by trust tenants, it is not a trust use, notwithstanding its importance as a financial inducement.

SEC. 5. The Legislature, in the exercise of its retained power as trustee of the public trust, and in view of the unique

circumstances existing at Pier 30-32 on the San Francisco waterfront and the considerable statewide public benefit and promotion of maritime transportation that will be brought about by the construction of a new passenger cruise ship terminal, improvements to berthing facilities for waterborne transit, a lagoon, improved public access and commercial public trust uses on this site, hereby authorizes the Port to approve a cruise ship terminal development on the San Francisco waterfront at Pier 30-32, which would include general office use and general retail use, if all of the following conditions are met:

(a) The development includes a modern two-berth cruise ship terminal.

(b) The development includes a public access component that meets the requirements of the Special Area Plan and the San Francisco Bay Plan as interpreted by BCDC and that also offers expanded bay views and public access.

(c) Prior to submitting a major permit application to BCDC for the cruise ship terminal development, the Port, after review by or on behalf of BCDC, approves the final design concept for the Brannan Street Wharf.

(d) Prior to the issuance of a BCDC permit for the cruise ship terminal development, the Port demonstrates, to the satisfaction of BCDC and the Attorney General's office, that it has irrevocably encumbered all of the funds deemed necessary for the completion of the Brannan Street Wharf and has placed the funds in a segregated account guaranteed to be available to be drawn upon for the construction of the Brannan Street Wharf, and the Port and BCDC enter into an enforceable agreement that provides for the Port to fund, directly or through grant funding, or both, design, and construct the Brannan Street Wharf consistent with the following timetable:

(1) The Port shall complete preliminary engineering drawings for the Brannan Street Wharf and prepare and submit to BCDC a financing plan approved by the Port indicating funding sources and estimated construction costs at the time the construction of the cruise ship terminal development commences.

(2) The Port shall complete Phase 1, the northern portion of the Brannan Street Wharf (in the area of Pier 34), as described in the Special Area Plan contemporaneously with the construction of the cruise terminal development.

(3) The Port shall remove Pier 36 and complete the Brannan ~~Street Wharf contemporaneously with the cruise ship terminal~~ *Street Wharf no later than five years after commencement of construction of the cruise ship terminal* development.

(e) The amount of office space in the development does not exceed 300,000 leasable square feet, all of which shall be above the ground level. This office space shall also be designed to contribute to a development design that includes public spaces and promotes visual and public access. An additional 25,000 leasable square feet of space in the cruise ship terminal building may be used for general office use until the earlier of either of the following:

(1) Fourteen years from the first date of occupancy.

(2) When home berthing ships above 5,000 passenger berth capacity call for 15 days per year for two consecutive years.

(f) The development includes a marketing program designed to maximize the amount of general office space occupied by trust-related tenants over the life of the development.

(g) The cruise ship terminal as approved by BCDC complies with the requirements set forth in this subdivision. For purposes of this subdivision only, "trust retail" means visitor serving public trust retail and restaurant use. "Nontrust retail" means other retail, ~~indoor public assembly~~, and theatre uses. The amount of trust retail leasable space shall be equal to or greater than the nontrust retail leasable space. The amount of trust ~~and~~ retail leasable space, nontrust retail leasable space, and visitor serving trust use converted from trust or nontrust retail ~~approved by BCDC~~, as approved by BCDC, shall be at least 40 percent of the total amount of office leasable space.

insert: "development if"

SEC. 6. The Legislature finds and declares that the 2000 amendments of the San Francisco Bay Plan and the Special Area Plan by BCDC are authorized under subdivision (f) of Section 66632 of the Government Code as necessary to protect the health, safety, and welfare of the public in the entire Bay Area, and BCDC's actions with respect to those amendments are hereby ratified and confirmed.

SEC. 7. Notwithstanding the Special Area Plan and the Bay Plan requirement for findings of consistency with the public trust doctrine and the Burton Act, BCDC is authorized to approve the cruise ship terminal development ~~trust~~ as provided in this act.

insert: "trust"

Except as provided in Section 14 of this act, nothing in this act is intended to limit the discretion of BCDC to approve or deny permits for the projects described in this act in a manner consistent with the McAteer-Petris Act, the Bay Plan, the Special Area Plan, and this act, or to limit the discretion of BCDC to enforce permits issued for the projects described in this act.

SEC. 8. (a) For the purpose of effectuating the sale of the street, including the conveyance of the street by the city, free of the public trust and the Burton Act trust, the State Lands Commission may convey to the city by patent all of the rights, title, and interest held by the state by virtue of its sovereign trust title to the street, including any public trust interest or Burton Act reservation or trust interest, not heretofore conveyed, subject to any reservations the State Lands Commission determines appropriate.

(b) In any case where the state, pursuant to this act, conveys filled tidelands and submerged lands transferred to the city pursuant to the Burton Act, the state shall reserve all minerals and all mineral rights in the lands of every kind and character now known to exist or hereafter discovered, including, but not limited to, oil and gas and rights thereto, together with the sole, exclusive, and perpetual right to explore for, remove, and dispose of those minerals by any means or methods suitable to the state or to its successors and assignees, except that, notwithstanding the Burton Act, or Section 6401 of the Public Resources Code, any such reservation shall not include the right of the state or its successors or assignees in connection with any mineral exploration, removal, or disposal activity, to do either of the following:

(1) Enter upon, use, or damage the surface of the lands or interfere with the use of the surface by any grantee or by the grantee's successors or assignees.

(2) Conduct any mining activities of any nature whatsoever above a plane located 500 feet below the surface of the lands without the prior written permission of any grantee of the lands or the grantee's successors or assignees.

SEC. 9. The city may, pursuant to Section 3 of Article X of the California Constitution, sell the street to any private person, partnership, or corporation, with the approval of the State Lands Commission, if the city first finds that sale is consistent with the legislative findings and declarations set forth in Section 3. That sale shall not be effective unless and until the State Lands

Commission, at a regular open meeting with the proposed sale of the street as a properly scheduled agenda item, does or has done, all of the following:

(b) Finds, or has found, that the consideration for the sale of the street pursuant to Section 3 of Article X of the California Constitution shall be the fair market value of the street.

(a) Adopts, or has adopted, a resolution approving the sale that finds and declares that the street has been filled and reclaimed, is cut off from access to the waters of San Francisco Bay, and is no longer needed or required for the promotion of the public trust or the Burton Act trust, and that no substantial interference with the public trust or Burton Act trust uses and purposes will ensue by virtue of the sale. The resolution shall also declare that the sale is consistent with the findings and declarations in Section 3, and the sale is in the best interests of the state and city. Upon adoption of the resolution, or at a time that is specified in the resolution, the street shall thereupon be free from the public trust and the Burton Act trust.

(c) Finds, or has found, that the sale of the street shall occur only in conjunction with a simultaneous exchange of the state's sovereign title in Seawall Lot 330 pursuant to Chapter 310 of the Statutes of 1987, according to the terms and conditions required by the State Lands Commission, or other disposition of the state's sovereign title in Seawall Lot 330 approved by the State Lands Commission or the Legislature, and that the proceeds for that sale will be devoted to trust-related capital improvements by the Port.

SEC. 10. Sales made by the city pursuant to this act are hereby determined to be of statewide significance and importance and, therefore, any ordinance, charter provision, or other provision of local law inconsistent with this act is not applicable to those sales.

SEC. 11. Any agreement for the sale of, and trust termination over, the street pursuant to this act shall be conclusively presumed to be valid, unless held to be invalid in an appropriate proceeding in a court of competent jurisdiction to determine the validity of the agreement. Any such proceeding shall be commenced within 60 days after the recording of the agreement.

SEC. 12. The State Lands Commission and the city may modify any description and plat prepared and recorded pursuant to the Burton Act, as amended, and Section 11 of that certain agreement relating to the transfer of the Port of San Francisco from

the state to the city and dated January 24, 1969, and to record the modified description and plat in the office of the recorder of the city.

SEC. 13. An action may be brought under Chapter 4 (commencing with Section 760.010) of Title 10 of Part 2 of the Code of Civil Procedure by the parties to any agreement regarding a street sale or exchange of land entered into pursuant to this act or pursuant to Chapter 310 of the Statutes of 1987 to confirm the validity of the agreement. Notwithstanding Section 764.080 of the Code of Civil Procedure, the statement of decision in the action shall include a recitation of the underlying facts and a determination whether the agreement meets the requirements of this act, Chapter 310 of the Statutes of 1987, Sections 3 and 4 of Article X of the California Constitution, and any other law applicable to the validity of the agreement.

SEC. 14. The authorization contained in Section 5, and any lease, permit, development approval, or other entitlement for use, including any BCDC permit, for the cruise ship terminal development that is dependent upon that authorization is not affected by the failure of the Port to perform any obligation under the BCDC agreement referred to in subdivision (d) of Section 5, and that authorization and the lease, permit, development approval, or other entitlement for use shall remain in full force and effect. BCDC may enforce the agreement referred to in subdivision (d) of Section 5 by specific performance or by any other enforcement remedy in the McAteer–Petris Act, except for revocation of any BCDC permit issued for the cruise terminal development.

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SAN FRANCISCO
PORT COMMISSION

JANUARY 14, 2003
MINUTES OF THE REGULAR MEETING

MEMBERS, PORT COMMISSION

HON. MICHAEL HARDEMAN, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. DENISE McCARTHY
HON. BRIAN McWILLIAMS

DOUGLAS F. WONG, EXECUTIVE DIRECTOR

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CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE REGULAR MEETING
JANUARY 14, 2003

1. ROLL CALL

Commission President Michael Hardeman called the meeting to order at 4:04 p.m. The following Commissioners were present: Michael Hardeman, Kimberly Brandon, Denise McCarthy and Brian McWilliams.

2. APPROVAL OF MINUTES - December 17, 2002 Special Meeting

ACTION: Commissioner McCarthy moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor. The minutes of the December 17, 2002 special meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report

- Former Port Commissioner Arthur Coleman:

  Mr. Wong announced that Dr. Arthur Coleman, a former Port Commissioner and the first African American physician in the San Francisco Bayview Hunter's Point district, died at the age of 82 on Thursday, December 26, 2002. Dr. Coleman began practicing medicine in 1948. He worked seven days a week and made house calls to anyone who was sick in the neighborhood. He was a beloved community figure and civil rights advocate. He helped create the Bayview Hunters Point Health and Environmental Resource Center. Dr. Coleman served on the Port Commission throughout the 1980's. He is survived by his wife, two daughters, a son, four grandchildren and a host of relatives and friends. Mr. Wong asked for a moment of silence in honor of Dr. Coleman.

- Commendation for Ed Bubnis, Chief Building Inspector, on his retirement.
- Commendation for Ken Hayes, Senior Building Inspector, on his retirement

  Mr. Wong announced that Ed Bubnis is retiring after 38 years of service. Ken Hayes is also retiring after 31 years of service. He thanked both of them for their many years of service at the Port. Alex Lee, Director of Engineering and Maintenance, indicated that Ed and Ken are the enforcers at the Port. Ed is the only Chief Building Inspector at the Port authority who oversaw the construction of a major league ballpark. Ken and Ed have a combined 69 years of service and thanked them for their dedicated service. Commissioner Hardeman presented Mr. Bubnis and Mr. Hayes a commendation of appreciation for their many years of service to the City & the Port.

Mr. Bubnis hoped that his 38 years of service had a positive impact on the Port and he thanked the Commissioners and Port staff of their assistance during his tenure.

Mr. Hayes appreciated the privilege of working and knowing everyone at the Port.

Mr. Lee introduced and welcomed Tony Grieco, the new Senior Building Inspector of the Port. He came from the Department of Building Inspection. Prior to that he was the chief building official in San Mateo County.

B. Election of Port Commission Officers

Commissioner Hardeman opened the floor for nominations of Port Commission President.

Commissioner Brandon nominated Commissioner Hardeman as President of the Commission. Commissioner McCarthy seconded the motion. All of the Commissioners were in favor. Commissioner Hardeman was elected President of the Commission.

Commissioner Hardeman opened the floor for nominations of Port Commission Vice President.

Commissioner McCarthy nominated Commissioner Brandon as Vice President of the Commission. Commissioner McWilliams seconded the motion. All of the Commissioners were in favor. Commissioner Brandon was elected Vice President of the Commission.

Commissioner Hardeman commented that it is a tremendous honor, especially being a labor person, to sit on the Port Commission and to be a president is quite an honor. He will do his best to bring integrity to this job and will do whatever is required of him.

Commissioner Brandon commented that it is a wonderful honor to serve on the Port Commission.

4. CONSENT

A. Request for approval to terminate Lease Nos. L-12837, L-12906 & L-12909 and License No. 12989 with Information Network Radio, Inc. at 1500 Sansome Street and 10 Lombard Street and Pier 35. (Resolution No. 03-02)

ACTION: Commissioner McCarthy moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 03-02 was adopted.

B. Request for approval of emergency contract between the Port and Titan Maritime LLC for the emergency repair of Drydock No. 1. (Resolution No. 03-03)

ACTION: Commissioner Brandon moved approval; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor; Resolution No. 03-03 was adopted.

5. PLANNING & DEVELOPMENT

A. Request for adoption of resolution seeking City Legislative Committee's authorization to

support State legislation to provide technical corrections to AB 1389 on behalf of the James R. Herman International Cruise Terminal and Mixed Use Project and the Brannan Street Wharf. (Resolution No. 03-01)

Mr. John Doll, Planning & Development, presented the item and requested Commission's approval.

Elle St. John-Lindquist, San Franciscans for a Healthy Waterfront, commented that they don't know what the corrections are and would like to get an opportunity to review them. They have requested the information but have not received it. They have some issues regarding the bill from the very beginning because the bill went through in the midnight hour. It took the job out of the State Lands' hand and put it in the hands of the State and added different kinds of mixed uses and it's not maritime use. There's a 35-month stay only. After 35 months if they don't feel that the EIR is certified, then it is null and void.

Mr. Doll indicated that the information she requested is included in the staff report and attachments.

ACTION: Commissioner Brandon moved approval; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor; Resolution No. 03-01 was adopted.

6. NEW BUSINESS/PUBLIC COMMENT

7. EXECUTIVE SESSION

ACTION: Commissioner McCarthy moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

At 4:20 p.m., the Commission withdrew to executive session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and Action Items)

a. Discuss existing litigation matter pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case):

- F. Alioto Company, Inc. et al. v. City & County of San Francisco, et al., S. F. Superior Court Case No. 318360, filed January 25, 2001.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 (1 case as defendant).

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: The Embarcadero Hotel
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Stanford Hospitality, Inc: Antony Carter

b. Property: Pier 50
Person Negotiating: Port: Ken Winters, Director of Real Estate
*S&C Ford: Ray Siotto

c. Property: 160 Jefferson Street
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Boudin Properties, Inc.: Louis Giraudo

d. Property: Along Embarcadero
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Prospective Bidders

8. RECONVENE IN OPEN SESSION

At 5:57 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn executive session and reconvene in open session; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Brandon moved approval to not disclose any information discussed in executive session; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor.

9. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor.

The meeting was adjourned at 5:57 p.m.

SAN FRANCISCO
PORT COMMISSION

REGULAR MEETING
4:00 P.M., TUESDAY, JANUARY 28, 2003
BAYSIDE CONFERENCE ROOM
PIER 1, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com.

AGENDA

DOCUMENTS DEPT.
JAN 24 2003
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1. **ROLL CALL**

2. **APPROVAL OF MINUTES** - January 14, 2003 Regular Meeting

3. **EXECUTIVE**

   A. Executive Director's Report

4. **CONSENT**

   A. Request for approval of Extension of Exclusive Right to Negotiate Agreement with San Francisco Waterfront Partners for the Piers 1-½, 3 & 5 project. (Resolution No. 03-04)

5. **MARITIME**

   A. Request for authorization to award a professional services contract to Parsons Brinckerhoff for Security Assessment Services. (Resolution No. 03-05)

6. **FINANCE**

   A. Request for approval of the Port's Fiscal Year 2003/04 Operating Budget. (Resolution No. 03-07)

   B. Request for approval of Supplemental Appropriation to pay for Drydock No. 1. (Resolution No. 03-06)

   C. Request for approval of Reallocation of Capital Project Funds. (Resolution No. 03-08)

7. **NEW BUSINESS/PUBLIC COMMENT**

   Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period.

It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any questions regarding the agenda, please contact the Commission Secretary at 274-0406.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

B. CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and Action Items)

a. Discuss existing litigation matter pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case):

- F. Alioto Company, Inc. et al. v. City & County of San Francisco, et al., S. F. Superior Court Case No. 318360, filed January 25, 2001.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 (1 case as defendant).

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: Piers 1-½, 3 & 5
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*San Francisco Waterfront Partners: Simon Snellgrove

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations regarding Piers 1-½, 3 & 5.

9. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12

B. Vote in open session on whether to disclose any or executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

10. ADJOURNMENT

JANUARY/FEBRUARY 2003
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
January 28	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
February 11	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
February 25	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1

NOTES:
The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 4:00 p.m., unless otherwise noticed, in the Bayside Conference Room @ Pier 1. Contact Amy Quesada at 274-0406. ***The Commission Agenda and staff reports are also posted on the Port's Website @ www.sfport.com.***

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on the third Thursday, every other month at 11:30 a.m. in Bayside 1 @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:00 to 7:00 p.m. at the Mission Bay Visitor Center (255 Channel Street). Please contact Tiffany Bohee at 749-2481 for more information.

The Northeast Waterfront Advisory Group (NWAG) meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Pier 70 Advisory Group meets monthly on an as-needed basis generally on the 2nd Wednesday of the month from 4 to 6 p.m. at the Potrero Campus of the California College of Arts and Crafts, Board Room, 1111 – 8th Street between Irvin and Hooper. Contact Mark Paez @ 705-8674.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Please contact Tiffany Bohee at 749-2481 or 749-2400 for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every 1st Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conference Room @ Pier 1. Contact Dan Hodapp @ 274-0625.

Port Website: Check out the Port's Website at **www.sfport.com.**

ACCESSIBLE MEETING INFORMATION

Getting to Pier 1:
Pier 1 on the Embarcadero, at the foot of Washington St. The Embarcadero Station is the closest BART and MUNI Metro stop, located below Market St. at Drumm & Spear Streets. The nearest F-Line streetcar stop is on the Embarcadero at Washington St. MUNI bus lines serving the Pier 1 area are the 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142.

The nearest accessible parking is provided in the following off-street pay lots:
A) 1 space in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking.

Metered street parking is available on the Embarcadero, Washington St. and Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Commission Bayside meeting room. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Commission meeting room.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Nita Mizushima, Chief Harbor Engineer, at 274-0559. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, please contact Donna Hall, Administrator at 554-7724; fax 554-5163; e-mail address Donna_Hall@ci.sf.ca.us; City Hall, Room 244, One Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4689. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Ordinance Task Force, the San Francisco Public Library and on the City's Website at www.ci.sf.ca.us/bdsupvrs/sunshine.

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code §2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

January 22, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Extension of Exclusive Negotiations for Piers 1-1/2,3 & 5 Project

DIRECTOR'S RECOMMENDATION: APPROVE EXTENSION OF EXCLUSIVE RIGHT TO NEGOTIATE WITH SAN FRANCISCO WATERFRONT PARTNERS, LLC

BACKGROUND

On March 10, 2000, the Port issued a Request for Proposals ("RFP"), including subsequent Addenda issued April 24, 2000, May 5, 2000 and June 30, 2000, for the lease, development and operation of a mixed-use historic rehabilitation project at Piers 1-1/2, 3 and 5 ("Piers Project"). The primary purposes of the Piers Project are to rehabilitate the piers and provide a development that will attract the public to the Bay and enhance the waterfront experience. Three proposals were received on August 31, 2000 in response to the RFP, and these proposals were reviewed and evaluated by Port staff and by an outside consultant team.

Based upon this review and evaluation, on January 9, 2001, by Resolution No. 01-05, the Port Commission awarded the opportunity to enter into exclusive negotiations for the Project to San Francisco Waterfront Partners, LLC, a limited liability company ("SFWP"), and a negotiating fee of $40,000 was paid to the Port.

On March 21, 2001 SFWP and the Port executed an Exclusive Right to Negotiate agreement ("ERN") for the initial period of March 22, 2001 to December 21, 2001, with two three-month extension options. SFWP timely exercised the two options to extend. The Port waived the extension fees of $25,000 each because, per the agreement, the San Francisco Planning Department had not completed environmental review, negotiation of the Lease and Lease Disposition and Development Agreement ("LDDA") had not been completed, and neither delay was due to any acts of SFWP.

THIS PRINT COVERS CALENDAR ITEM NO. 4A

On June 17, 2002 SFWP and the Port executed a First Amendment to the Exclusive Right to Negotiate agreement extending the ERN to October 31, 2002 with one option to extend for three months with payment of an option fee of $25,000 if SFWP was unable to obtain approval of the Lease by the Board of Supervisors by October 31st. The fee was applicable to the lease security deposit. Since the Lease and LDDA were not completed by October 31st, Board of Supervisors approval could not be sought or obtained and SFWP exercised the option. By letter agreement Port staff extended the deadline for payment of the $25,000 option fee to January 20, 2003. The Port has not yet received the fee, and SFWP has requested a waiver of the fee. The ERN expires on January 28, 2003.

Completion of the LDDA and Lease documentation has been delayed by entitlement issues beyond the control of SFWP. Port staff expects to present the LDDA and Lease for this project to the Port Commission on February 11, 2003. If approved, SFWP will then seek approval of the Lease from the Board of Supervisors. Because the ERN expires before the LDDA and Lease can be approved and conveyed to SFWP, an extension is necessary to protect SFWP's rights and to maintain adherence to the development schedule.

Staff seeks a three-month extension to April 30, 2003, and one option to extend for an additional three months if SFWP is unable to obtain approval of the Lease by the Board of Supervisors by that date. Because SFWP has been diligently pursuing this project (see accomplishments below), and entitlement issues have delayed the project beyond the developer's control, staff recommends that no option fee be required for either extension period.

BENEFITS OF THE PIERS PROJECT

The Piers Project will bring public and financial benefits to the Port and to the City, including the following:

- Rehabilitation and seismic upgrading of Piers 1-1/2, 3 and 5, which have been condemned because of the deteriorated condition of the substructure
- New life for these maritime resources by adaptively re-using them for Class A office space, restaurants, cafes, and a ticket office for Hornblower Yachts
- Listing as an Historic District on the National Register of Historic Places
- Renovation of the buildings to the Secretary of the Interior's Standards for Rehabilitation
- Addition of guest boat docks for temporary berthing of private boats and ceremonial ships
- Addition of water taxi service to the waterfront
- Attract people to the waterfront and create nearly an acre of public open space for people to enjoy the Bay
- Continuation of the PortWalk and Bayside History Walk so that the public can see the buildings, enjoy views of the water and learn of the piers' history
- Provide rental revenue to the Port on property that currently brings in no revenue because of its condemned condition

ACCOMPLISHMENTS DURING EXCLUSIVE NEGOTIATION PERIOD

During the period of exclusive negotiations to date, SFWP has developed site plans, schematic design plans, elevations and sections, which have been approved by the *Waterfront Design Advisory Committee* and the Design Review Board of BCDC. The Major Environmental Analysis Division of the San Francisco Planning Department completed the environmental review under the California Environmental Quality Act (CEQA), resulting in the issuance of a Mitigated Negative Declaration. SFWP has made informational presentations of the project to the Port's *Ferry Building Northeast Waterfront Advisory Group*, to SPUR, to the Landmarks Preservation Advisory Board and to SF Architectural Foundation. SFWP filed nomination papers and obtained listing of the piers on the National Register of Historic Places as the Central Embarcadero Piers Historic District. SFWP also has filed Part 1 and Part 2 applications with the State Historic Preservation Office (SHPO) and National Park Service (NPS), initiating the process for obtaining Federal Historic Rehabilitation Tax Credits. The architects are currently in negotiations with SHPO on construction details of the project. SFWP has requested State Lands Commission concurrence with the trust-consistency of the project and has filed its Application for permit with BCDC. SFWP has pursued negotiations with Hornblower Yachts, conducted due diligence and site investigation and established a development timetable and budget. It has been negotiating in good faith with Port staff for the Lease Disposition and Development Agreement, the Lease, Licenses for café seating, a Permit to Enter for construction staging areas, a Parking Agreement and all other necessary documents. Significantly, SFWP has obtained equity financing from the California State Teachers Retirement System (CALSTRS). SFWP also has submitted a Site Permit and design development drawings for the Project to the Port's Engineering Department.

STEPS STILL TO BE COMPLETED

After the LDDA and Lease are approved by the Port and the Lease is approved by the Board of Supervisors, SFWP and the Port will continue to complete documentation and obtain all necessary regulatory approvals (including a BCDC permit, a permit from the Army Corps of Engineers, a Site Permit for construction from the Port, approval by the National Park Service of the Part 2 Application for tax credits, concurrence from the State Lands Commission); and proceed to clear title, finalize lease amendments with Hornblower Yachts and complete all documents necessary for the close of escrow.

STAFF RECOMMENDATION

Port staff recommends that the Port Commission authorize the Executive Director to enter into a Second Amendment to the ERN to extend the period of exclusive negotiations with SFWP to April 30, 2003, with a three-month option to extend if the Board of Supervisors has not approved the Lease by April 30th. Staff recommends that SFWP not be required to pay fees for this extension.

Prepared by: Jennifer Sobol
Project Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-04

WHEREAS, Charter, Section B3.581grants the Port Commission the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of San Francisco; and

WHEREAS, under Charter Section B3.581(g) leases granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, the Port owns certain properties known as Piers 1-1/2, 3 and 5; and

WHEREAS, in March 2000, the Port issued a Request for Proposals for the lease, development and operation of a mixed-use project at Piers 1-1/2, 3 and 5 and for the rehabilitation of these piers to provide a development that will attract the public to the Bay and enhance the waterfront experience; and

WHEREAS, San Francisco Waterfront Partners, LLC, a California limited liability company, submitted a response to the RFP on August 31, 2000 which complied with the submittal requirements stated in the RFP and which was reviewed and evaluated by Port staff and by an outside consultant team; and

WHEREAS, based on this review, Port Staff recommended that the Port Commission enter into exclusive negotiations with San Francisco Waterfront Partners, LLC; and

WHEREAS, the Port Commission reviewed the Port staff recommendation set forth in the Memorandum to Port Commissioners dated January 4, 2001, for Agenda Item 6B, and determined that San Francisco Waterfront Partners, LLC met the qualification requirements for the development at Piers 1-1/2, 3 & 5; and

WHEREAS, based on this review, the Port Commission authorized exclusive negotiations with San Francisco Waterfront Partners, LLC on January 9, 2001; and

WHEREAS, the Port and San Francisco Waterfront Partners, LLC executed an Exclusive Right to Negotiate agreement ("ERN") on March 21, 2001 for a period of nine months, with two three-month extension options; and San Francisco Waterfront Partners, LLC timely exercised both extension option periods extending the ERN to June 21, 2002; and

WHEREAS, The Port Commission subsequently authorized a further extension of the ERN, pursuant to which authorization the Port entered into a First Amendment to the ERN extending it to October 31, 2002, with an option to extend for three additional months if approval of the Lease by the Board of Supervisors had not been received by that date; and

WHEREAS, the Lease had not been completed by October 31, 2002 and therefore Board of Supervisors approval could not be obtained by that date, so SFWP exercised the option, thereby extending the ERN to January 28, 2003; and

WHEREAS, SFWP has been diligently pursuing this project and has accomplished many goals to date; and

WHEREAS, entitlement issues have delayed the project beyond SFWP's control;

RESOLVED, that the Port Commission hereby authorizes the Executive Director of the Port to enter into a Second Amendment to the ERN extending the ERN to April 30, 2003, with an option to extend for an additional three months if the Lease has not been approved by the San Francisco Board of Supervisors; no extension fees will be required; and be it further

RESOLVED, that the Port will not enter into a final lease for the project which would allow for its development until there has been complete compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 28, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

January 22, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Authorization to award a professional services contract to Parsons Brinckerhoff for Security Assessment Services.

DIRECTOR'S RECOMMENDATION: AUTHORIZATION TO AWARD A CONTRACT TO PARSONS BRINCKERHOFF FOR SECURITY ASSESSMENT SERVICES, AND FOR STAFF TO EXECUTE A CONTRACT FOR SUCH SERVICES FOR THE NOT-TO-EXCEED FEE OF $500,000.

Through this staff memorandum and attached resolution, the Port staff seeks the Commission's authorization to award a professional services contact for security assessment services to Parsons Brinckerhoff who has been ranked as the most qualified consultant that responded to the Port's Request For Proposals. Port staff has also determined that Parsons Brinckerhoff fully complies with all City contract requirements.

Background: On August 27, 2002, the Port Commission approved Resolution 02-33, authorizing Port staff to accept and expend $500,000 in grant funds awarded to the Port of San Francisco by the Transportation Security Administration ("TSA") for a Port Security Assessment. The Commission also authorized staff to seek the Board of Supervisors' approval to accept and expend the TSA grant funds; and to issue a Request for Proposals ("RFP") from consultants to provide security assessment services.

Since then, Port staff has formed an interdivisional team to develop and issue the RFP, and staff convened a review panel to evaluate the RFP responses. The review panel consisted of the following persons with diverse maritime experience:

- Guadalupe Thomas, Port Harbor Maintenance Superintendent
- Pat Wilson, Port Property Manager
- Sgt. Daniel Linehan, S.F. Police Department
- Captain Kenneth Cereghino, Port Fire Marshal
- Kenny Levin, S.F. Bar Pilots
- Mary Culnane, Water Transit Authority
- Joe Smith, Pier 39

This Print Covers Calendar Item No. **5A**

On November 20, 2002, staff received 20 proposals from interested consultants in the security field. As the result of a careful evaluation and interview process, the review panel ranked Parsons Brinckerhoff as the most qualified respondent. Although the Human Rights Commission waived subcontracting goals for MBE/WBE participation in this project, Parsons Brinckerhoff has selected a WBE subcontractor, Applied Technology and Science, for inclusion in this project. The following are the key milestones and events related to the project to date:

10/28/02	Port staff issued the RFP
11/12/02	Board of Supervisors issued a resolution to accept and expend grant funds
11/14/02	Port held pre-bid conference for interested parties
11/20/02	Deadline for filing proposals (20 proposals received)
12/3/02	The review panel was given each proposal for review and rating and began the evaluation process
12/12/02	Initial evaluation/rating process completed and top 3 candidates were identified: DMJMH+N, Han-Padron Associates, Parsons Brinckerhoff
12/17/02	The review panel interviewed the top 3 candidates and re-rated the scores. Following the interviews and final rating, the review panel determined Parsons Brinckerhoff ("PB") to be the most qualified consultant according to the RFP criteria, with the following final scores: Parsons Brinckerhoff 89, Han-Padron Associates 88, DMJMH+N 83.
1/14/03	TSA announced a second round of Port Security grants in amount of $105 million with a filing deadline of 2/27/03. Applications for Category II grants (enhanced facility and operational security) require a completed security assessment that justifies security enhancements.
1/16-17/03	Port staff met with PB team to initiate contract negotiations and discuss scheduling of work.

Highlights of PB's Statement of Work:

Under the proposed contract, the vulnerability and security assessment for the Pier 80 Cargo Terminal and the Pier 35 Cruise Terminal is being accelerated to allow the Port to apply for TSA port security grant by deadline of 2/27/03.

The project will be performed in seven phases:

Phase I – Initial Consultation
Security and Vulnerability Assessment of Cargo and Cruise Terminals
Assist Port with application for Federal Port Security Grant by 2/27/03

Phase II – Port Security and Vulnerability Assessment
To be done in four two-week periods

Phase III – Threat and Risk Analysis

Phase IV – Legislative Review and Review of Prior Assessments

Phase V – Security Analysis and Mitigation Strategies

Phase VI – Report Preparation

Phase VII – Final Report and Briefing

The payment for services, which is being funded entirely by the TSA grant, in the amount of $498,915, will be made in five periods, based on interim phases and completion of work. The estimated completion date for the assessment is 6/30/03.

The full text of PB's proposed scope of work is attached for your reference.

Commission Action. Port staff recommends that the Port Commission authorize the Executive Director to award a professional services contract to Parsons Brinckerhoff for Security Assessment Services for a fee not to exceed $500,000 and to execute necessary contract documents in such form that meets the approval of the City Attorney's Office and City Risk Manager. The entire funding for this project is being provided through a federal grant from the Transportation Security Administration.

Prepared by: John Davey
Deputy Director, Maritime

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-05

WHEREAS, On August 27, 2002, the Port Commission adopted Resolution 02-33, authorizing the Port Executive Director to accept and expend $500,000 in grant funds awarded to the Port of San Francisco by the Transportation Security Administration for a Port Security Assessment; and,

WHEREAS, On November 12, 2002, the Board of Supervisors adopted Resolution 778-02, authorizing the Port Executive Director to accept and expend $500,000 in grant funds awarded to the Port of San Francisco by the Transportation Security Administration for a Port Security Assessment; and,

WHEREAS, On October 28, 2002, the Port issued a Request for Proposals from qualified consultants for a Port Security Assessment; and

WHEREAS, The Port staff convened a review panel to evaluate the RFP responses, consisting of 7 individuals with diverse maritime experience; and

WHEREAS, On November 20, 2002, the Port received 20 responses to the RFP from interested consultants, and as the result of a careful evaluation and rating process, on December 17, 2002, the review panel determined Parsons Brinckerhoff to be the most qualified respondent to the RFP; and

WHEREAS, The Transportation Security Administration has recently announced a second round of Port Security grants for facility enhancements in the amount of $105 million; with a filing deadline of February 27, 2003, and the Port's eligibility for such grant funding will be require a completed security assessment; now therefore be it

RESOLVED, That the Port commission hereby authorizes and directs the Executive Director of the Port, or his designee, to enter into a contract with Parsons Brinckerhoff for Security Assessment Services for a contract fee not to exceed $500,000, as indicated in the Memorandum for Agenda Item No. 5A for the January 28, 2003 Port Commission meeting.

I hereby authorize that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of January 28, 2003.

_____
Secretary

STATEMENT OF WORK

As the result of discussions with management personnel representing the Port of San Francisco, Parsons Brinckerhoff (PB) has revised our proposed schedule of services to permit accelerated completion of the vulnerability and security assessment for the Cargo Terminal and the Pier 35 Cruise Terminal by 27 February 2003. This approach will allow the Port of San Francisco to submit an application for the next round of Federal Security Grant funds that was recently announced by the Secretary of Transportation on Jan 14, 2003. The entire conduct of the security and vulnerability assessment has not changed significantly from our initial proposal. The port will still receive a comprehensive assessment consisting of the seven phases outlined in PB's Security Assessment Services Proposal dated November 27, 2002. However, significant contractor man-hours will be expended during the first month following the notice to proceed date and contract signing. During the first month of the assessment, the PB Team will complete work relevant to the Cargo Terminal and the Pier 35 Cruise Terminal in all seven of the project phases in order to permit completion of a grant request. In general, the phases of the project should be considered as tasks to be completed, rather than separate time periods. Work on the phases of the project is not necessarily sequential; effort on many of the phases will be accomplished concurrently. The PB Team's accelerated effort during the first month will conclude with the preparation and delivery of a vulnerability assessment for the Port's cargo and cruise ship operations. Additionally, the PB Team will assist the Port in drafting and submitting an application for a Federal Port Security Grant (on or before February 27, 2003 unless the deadline is extended by the federal government).

PB TEAM APPROACH

Our team's approach will ensure that the security options developed will be realistic, practical and timely. Security improvements must be driven by the business goals and objectives of the Port and its stakeholders so continued effective and smooth operations are ensured. Additionally, the assessment must consider the historic character of the waterfront and the importance of safe public access to this world-renowned tourist destination. Accordingly, the security assessment and the resultant recommendations will consider the importance of the Port to the local, state and national economies as well as the economic interests of stakeholders. Our proposed security enhancements will consider growth needs; recommended security solutions will be scaleable to meet growth in Port operations and flexible to ensure that all the Port entities' needs are met to the maximum extent possible. It is critical that recommended security options meet federal requirements and improve Port security while maintaining safe and easy access to a major commercial and tourism facilities without affecting the Port's flow of commerce or competitive position.

PROJECT MANAGEMENT

Throughout the assessment, the PB team will work with key Port executives and technical, managerial and administrative personnel to review the Port's and stakeholders' needs and expectations. We will focus on the facilities; operational processes, policies and procedures; and Port management and employee perspectives. This methodology ensures the development of realistic, practical and site-specific recommendations, driven by the business goals and objectives of the Port. We will emphasize project planning with the critical involvement of Port management throughout the assessment process. Our intent is to foster an open dialogue to communicate findings and discuss suggestions for ongoing process improvements throughout the project.

PROJECT METHODOLOGY

We will review the "lessons learned" and recommendations from any reports of completed Port Readiness Exercises. We will also collect data to assist the team in understanding Port operations and assessing vulnerabilities. Work will include collecting maps and charts, speaking with stakeholders and other points of contact, obtaining information on land and water approaches, identifying choke points, collecting copies of existing security plans, speaking with facility and Port security officers, obtaining information on Standard Operating Procedures (SOPs), collecting infrastructure data and reviewing incident histories to gain sufficient data to perform the security assessments. The team will work closely with Coast Guard personnel from Captain of the Port (COTP) and personnel from the USCG Marine Safety Office to ensure that security guidelines and practices are consistent with international requirements and Coast Guard regulations and guidelines published in Navigation and Vessel Inspection Circulars and other current documents.

Assessment teams will be comprised of individuals with specialized knowledge and experience to conduct an evaluation, perform an analysis, solicit input from shareholders and make recommendations to meet the objectives stated above. Any issue discovered during the site assessments that may be or could become an immediate life-threatening concern will be immediately communicated to Port officials for dissemination to appropriate emergency authorities. We will conduct interviews with various stakeholders as well as with regulatory, fire, law enforcement and other government officials on a coordinated basis. We will focus our attention on accomplishing multiple fact-finding events and issue resolution in a timely manner. When formulating the facility protection recommendations, we will focus on the Port as an entity that requires multiple levels of protection for various internal areas.

Additionally, the PB team will conduct a physical security analysis of the entire perimeter of the Port. This will include the boundary areas separating the Port property from adjacent property, railway lines crossing the property line, and waterways and public access areas extending into the Port. We will identify by geographic areas the modes of ingress/egress (i.e., rail lines, waterways and roads) that provide access to the Port. PB's engineering resources will be a key component of this part of the assessment to ensure the recommendations made to improve perimeter security (e.g., parking, gate houses, fencing, roadways, etc.) are technically feasible and cost-effective.

Through on-site visual inspections, the team will evaluate the effectiveness of barriers, fencing, electronic equipment (access control, closed-circuit television (CCTV), intrusion detection) and/or signage to provide the level of identification safeguards needed to make authorized access determinations for vehicles and pedestrians and to identify authorized and unauthorized visitors. This assessment will include a review of the transportation infrastructure. We will examine the physical elements of security created by the exterior portion of any building that abuts the perimeter of the Port.

Effective security requires cooperation from all concerned, and our approach will include outreach to all stakeholders. There will be comprehensive liaison with the U.S. Coast Guard and other federal and local law enforcement and public safety officials. Water-side security assessment will consider both surface and subsurface threats. The team will make complete waterside security tours to assess both authorized and potential unauthorized access to Port facilities from the water. The team will also consider the extent to

which the U.S. Coast Guard will patrol for threats. Ships and other vessels moving through the area of responsibility pose additional security challenges by creating threats to infrastructure from accidents and possible criminal or terrorist activity.

FACILITY ASSESSMENTS

The focus of the assessment will be on the facilities determined to pose the highest risk. The PB team will perform a physical security inspection of facilities located within the Port. Facility assessments will include analysis of:

- The facilities security management system to implement and monitor an effective security program.
- Those areas within the Port for which public access is appropriate and those areas where some restrictions to public access are needed.
- The vulnerability of the perimeters of those areas where access restrictions are needed from adjacent buildings or areas where pedestrian or vehicle access is permitted with few restrictions.
- The identification methods and systems used to determine authorized versus unauthorized access, and the effectiveness or need to replace or upgrade methods and equipment to provide the level of identification safeguards needed to make authorized access determinations Port-wide.
- The use of electronic systems at the facility in relationship to the perimeter protection and determine applicability of the level of electronic systems compared with best security protection practices.
- The need for additional use of electronic security measures based on a balanced approach to security and on best practice principles.
- The use of security officers, patrols and response teams in the protection of sensitive areas. This includes examining how and where officers are utilized and reviewing best practice options for a balanced approach of staffing and other proactive security tools.
- The use of barriers, shrubbery, clear zones, lighting and other physical, procedural or physiological barriers as may be applicable.
- The condition of, and any additional requirements for, physical security devices such as locks, barriers, doors and glazed panels, as well as the placement or replacement of such devices.
- Proposed expansion/growth plans

PHASE I - INITIAL CONSULTATION

Upon receiving Notice to Proceed, the Project Manager, Dave Spade, and selected team members will meet with Port and City officials to further coordinate the assessment and begin information-sharing activities. At this time the PB Team would like to obtain copies of the following information or documents:

- Background information from the Regional Security Committee
- Copies of prior security assessments (e.g., PacBell Field and Pier 39)
- Maritime Transportation Antiterrorism Plan (if completed)
- USCG COTP Port Security Assessment (or port self assessment)
- Area Contingency Plan(s)
- Tank Vessel/Facility Response Plan(s)
- Any Memorandums of Agreement and/or Mutual Aid or Support Agreements with commercial or public safety entities (fire, police, emergency response, etc.)
- Natural Disaster and/or Evacuation Plans, Spill Prevention or Hazardous Spill Plans, etc.

- Police/security response plans and standard operating procedures
- Maps, charts, or diagrams of the Port containing information concerning storm sewers, utilities (power, water, fiber optic, telephone, etc.)
- The results of any exercises that the Port or the surrounding community has had over the past few years.

To conduct the risk-based security assessment, the PB Team will use the ABS Risk-based Decision Tool called ""eLeader"." As part of this initial-consultation task, the PB Team will coordinate briefing schedules and establish dates to conduct a facilitated session where the consultants will work with designated Port participants (Port Core Team, preferably less than ten personnel) that have intimate knowledge concerning port operations. The Port Core Team should be able to address all aspects of the port from at least the following areas or disciplines:

- Port operations
- Maintenance operations
- Utilities and infrastructure
- Police operations and emergency response
- Cargo operations
- Public and commercial facilities
- Public and private maritime facilities and operations

We desire that the Port schedule the Port Core Team for at least two separate sessions of four uninterrupted hours each (no pagers, cell phones, Blackberry messages, or other interruptions please).. The Team would prefer that these facilitation sessions take place in the mornings of two consecutive days as soon as the sessions can be scheduled (certainly within the first week after contract signing. The PB Team tasks to perform the security assessment include, but are not limited to:

- Develop approach and populate analysis framework (risk profile structures and scoring approaches for criticality analysis and threat assessment)
- Visit port facilities and meet with core team in facilitated meetings to develop and document:
  - Port missions and criteria for security
  - Importance ranking of operations and assets
  - Conduct comparison of assets for prioritization
- Review port documentation and existing port and USCG security assessments
- Develop a hierarchy of port operations and associated assets
- Develop a detailed inventory of specific operations and associated assets (in various categories)
- Determine the risk scoring approach (consistent with USCG/NVICs and other best practices); – e.g., criticality and threat assessment approach
- Set-up the "eLeader" software to support the project
- Review approach with project team members and address comments
- Conduct the on-the-ground in-depth Vulnerability/Security Assessment for the Cruise Ship and Cargo terminal operations.

The PB Team facilitated sessions for performing risk-based security profiling with selected stakeholders (to jointly assess scenario risks for major assets/operations) will include, but are not limited to the following tasks:

- Determine the appropriate level of detail for risk assessment activities to meet port security objectives and grant requirements
- Facilitate port personnel and stakeholders in assessing asset criticality
- Identify key scenarios of interest for each critical asset
- Research available threat and risk information from various sources (including USCG risk assessments, once USCG approval is obtained)
- Develop consequence categorization approach
- Meet with the core team and selected stakeholders in team meetings to discuss and score scenario risks for different types of assets/operations
- Summarize the risk profile results using the "eLeader" software
- Contribute to prioritization of, and focusing on, on-site vulnerability assessment for each asset/operation (full, focused on selected scenarios, sampling from among groups of assets/operations, etc.) based on risk priorities

This phase will conclude with the preparation and delivery of a Security and Vulnerability Assessment for the Port's Cruise Ship and Cargo Terminal operations. Additionally, the contractor will assist the Port in drafting and submitting an application for a Federal Port Security Grant. The Grant will be completed on or before February 27, 2003 unless the federal government extends the deadline.

PHASE II - PORT SECURITY AND VULNERABILITY ASSESSMENT

During this phase, the PB Team will conduct an extensive and comprehensive security and vulnerability assessment of the Port of San Francisco. The on-site facility assessments will take place during four two-week periods (estimated). The Cargo Operations and Cruise Terminal Operations will be assessed first in order to prepare and submit the grant request by February 27, 2003. The Team envisions the following assessment periods, but can accommodate Port preferences.

PERIOD ONE. Pier 50, Pier 80 Complex, Pier 35, and Piers 30/32.

PERIOD TWO. Piers 92/94/96 bulk facilities, and other industrial facilities at the southern end of the waterfront, Pier 48, China Basin, warehouses and industrial facilities in the vicinity of Piers 48 and 50,the two power plants, cement and gravel operations, recycling facilities, warehouses, the San Francisco dry-dock and shipyard facility, and the San Francisco Boatworks.

PERIOD THREE. The Port offices at Pier One, yacht and boat clubs, bridges, including the terminus of the San Francisco-Oakland Bay Bridge, the historic Ferry Building complex, ferry operations, Pac-Bell Park, Pier 40, Pier 38, Pier 36, Pier 28, Pier 26, Pier 2, Pier 3, Pier 5, Pier 7 Fishing Pier, Pier 9, Pier 15, Pier 17, Pier 19, Pier 23, and Pier 27.

PERIOD FOUR. Pier 39 and Fisherman's Wharf complex including marina and fishing vessel moorings, Hyde Street Pier, Pier 29, Pier 29 ½, Pier 31, Pier 33, Pier 41, Pier 43 ½, waterfront restaurants, dinner

cruise operations, Amtrak operations and other public transportation, anchorages, and other areas not already covered in the marine domain.

The on-site assessments will identify the critical infrastructure that, if damaged, would diminish the abilities of the Port; federal, state, and local governments; and the private sector tenants of the Port to conduct business. At a minimum, we will survey these specific areas during the assessment:

- Perimeter security of the entire Port (landside and waterside) to include fencing, lighting, clear zones, gates/doors, surveillance cameras, access controls, perimeter alarms, key and lock controls.
- Vessel access to Port facilities.
- Vehicular and pedestrian access to premises, buildings, and piers.
- Interior lighting, parking facilities, roll-up doors, key and lock controls, landscaping and public fixtures, janitorial and trash removal operations and service vendor access, electronic security systems (such as closed-circuit television [CCTV], access controls, intrusion detection, X-ray and other screening devices).
- Communication equipment for day-to-day and emergency uses (phones, radios, Intranet, Internet, public address systems, etc).
- Mail and package control, shipping and receiving operations.
- Use, monitoring and control of Port property and facilities to include Port-owned vehicles, vessels and equipment.

PHASE III – THREAT AND RISK ANALYSIS

The team will conduct a threat assessment of all Port facilities and operations, as well as prioritize identified vulnerabilities. We will review, identify and analyze relevant criminal activity and terrorist threats and attacks to the Port to include suspicious packages, the potential use of small and large conventional explosives, hostage situations, extortion, theft, assault and workplace violence. Additionally, the team will review political and environmental threats (natural disasters and subsequent evacuations) to the Port, its employees, contractors and visitors. We will identify both internal and external threats to Port facilities, especially those that pose the most significant risks to critical assets and facilities. This will be accomplished based on the team's experience in conducting similar assessments at other ports, through interviews with senior Port management, and by meetings and conversations with local and federal law enforcement officials. The results of the threat assessment analysis (and Port Core Team input) will form the basis for prioritizing Port facilities and operations especially vulnerable to risk and providing justification for the resultant security recommendations. Integral to the analysis will be the historic aspects of Port properties and the importance to San Francisco and the nation of safe and easy access to the world-renowned Fisherman 's Wharf complex. Additionally, the PB Team will also facilitate sessions involving the Port Core Team to extend the risk-based security assessment to the Port operations that were not included in the Phase I activities. Those sessions will be similar to what is described for Phase I.

PHASE IV - LEGISLATIVE REVIEW AND REVIEW OF PRIOR ASSESSMENTS

The PB team is thoroughly familiar with the recently enacted Maritime Transportation Security Act of 2002 and ongoing federal legislation in the security area that will require changes to current Port security practices, procedures and operations. In light of these dynamic requirements and the continuous evolution of security industry best practices, the team proposes evaluating prior security assessments against newly

enacted requirements to ensure that protective measures meet current federally regulations of the Department of Transportation (Container Security Initiative), U.S. Customs Trade Partnership Against Terrorism (CTPAT), the Transportation Security Administration (TSA) and the Department of Homeland Security. These prior assessments (and other information) will be obtained during Phase I and evaluated throughout the assessment. PB's in-house resources include our Washington, D.C.-based government affairs office, whose prime responsibility is to remain abreast of legislative issues that affect PB and its clients.

PHASE V - SECURITY ANALYSIS AND MITIGATION STRATEGIES

In conducting our analysis, we will review standards, recommendations, circulars and/or guidelines published by the International Maritime Organization and the U.S. Coast Guard concerning security of vessels, ports and waterfront facilities (contained within USCG Navigation and Vessel Circulars [NVIC] 9-02, 10-02 and 11-02 dated September 2002, October 2002 and January 2003, respectively. Additionally, the team will utilize standards found in the areas of emergency response (especially in the areas of natural disasters and evacuations). We will ensure that the standards applied are current and include recent changes made as a result of the terrorist attacks on September 11, 2001. We will obtain and use any drafts of new standards, recommendations, circulars and/or guidelines that have already been circulated to the general public to provide advance notice of intended changes in response to recent increased security consciousness. We will also perform appropriate research to determine the standards of other agencies or bodies (national or international in scope) that would be applicable to vessel, Port and waterfront facility security which might be published by the U.S. Coast Guard (Model Port Program), U.S. Customs or other government agencies.

The risk profile developed in the earlier tasks will be updated in this phase to assess the impact for some of the mitigation recommendations developed by the Core Team (e.g., recommendations that are not simply compliance issues and that need to be justified based on their effectiveness in addressing high risk scenarios).

Our scope of work will include a criticality assessment of Port facilities. The assessment will identify and prioritize the critical infrastructure that, if damaged, would diminish the abilities of the Port, federal, state, and local governments, and the private sector tenants of the Port to conduct business.

PHASE VI - REPORT PREPARATION

The PB Team will evaluate and compile data obtained from personal interviews and physical inspections of facilities, and make sound security recommendations based upon identified threats and the Port's vulnerability to those threats. Draft copies of the report will be circulated to and validated by Port management for potential discrepancies and/or identification of areas that warrant reevaluation or modification due to changing circumstances, clarification of report language, etc. The PB Team will provide a report shortly after 27 February 2003 sufficient to support the grant requests recommended as a result of the accelerated security and vulnerability assessment of Cargo Terminal and Cruise Terminal Operations.

PHASE VII – FINAL REPORT AND BRIEFING

We will provide a status report every two weeks throughout the entire Security/Vulnerability Study outlining our progress on the security assessment scope of work. When Phases I through VI are complete, we will

prepare a comprehensive report that documents all elements of the assessment, highlights critical infrastructure vulnerabilities, describes the potential threat impacts, presents a list of solutions/options to reduce identified vulnerabilities, and presents other information to mitigate the vulnerabilities as described. Our integrated report will consolidate the information obtained throughout the assessment. We will provide the Port a Final Briefing and a draft report of our findings. The Port will have approximately two weeks to review the report and provide a set of consolidated comments. The PB Team will then make appropriate modifications to the report and provide ten (10) printed copies of the Final Report, and one electronic copy (CD ROM media), and one CD containing the "eLeader" software for Port use. At a minimum, the report will include:

- A comprehensive assessment of the Port's security needs.
- Objective recommendations to enhance current Port operations and competitiveness.
- Strategies and rough cost estimates for recommended capital projects that improve the Port's security posture (especially those that would qualify the Port for additional future federal, state or other funding).
- A visual multi-media briefing and presentation to Port officials and directors.
- Recommendations for staffing, training, emergency response, community awareness, reporting procedures, law enforcement and the feasibility of establishing an office of Port Security.
- Recommendations for the implementation of pilot projects that may be allowable under the current and pending Department of Transportation Grant Programs (during this contract period of performance).

Vulnerabilities identified throughout the assessment and prioritized risk mitigation strategies will be annotated in the draft and final reports and categorized into the following areas:

- *Public Facilities*: Pier areas with general public access (e.g., Pier 7 fishing pier, Herb Caen waterfront promenade).
- *Public Commercial Facilities*: Pier areas leased to commercial entities that have general public access (e.g., Pier 1 office, Pier 39 retail).
- *Public Maritime Facilities*: Piers that serve as ferry and cruise terminals and small craft harbors that may have general or limited public access (e.g., Pier 35 cruise terminal, Fisherman's Wharf, Hyde Street Harbor).
- *Private Maritime Operations*: Piers that are leased to commercial operations but have limited public access (e.g., Pier 80 omni-terminal, Piers 92/94/96 bulk facilities).
- *Seawall Lots*: Areas not directly on the waterfront, but generally leased to private concerns and accessible to the public (e.g., parking lots, restaurants, offices).
- *Public Utilities*: Properties that support public utilities (e.g., power plants, waste treatment plants, public transportation, bridges).
- *Marine Domain*: Areas that include activities related to vessels, waterway management, and waterborne facilities (e.g., fuel docks, China Basin, anchorages).

ASSUMPTIONS

The assumptions we have made in developing this scope of work for the security assessment are:

- Port of San Francisco personnel and stakeholders will provide all available types of unclassified materials for analysis specified in Phase I as well as any other material that the City and Port deem might assist the contractor in the conduct of a thorough assessment.
- Port personnel will assist in contacting and scheduling coordination meetings/interviews between our team and Port employees/stakeholders and tenants in the conduct of this assessment.
- Port personnel identified for interview based on their knowledge of Port operations (especially for facilitated sessions in Phase I) will be made available to the Team during the scheduled on-site assessment.
- With minor exceptions, interviews and Port physical security survey work will be accomplished during multiple on-site visits. However, it is understood and accepted that some interviews (or follow-up questions) may need to be conducted in meetings, by telephone or e-mail.
- Payment method for the project due to complexity and long-term nature will be on a lump sum basis payable in five approximately equal payments as specified in the attached payment schedule.
- Our security assessment my be limited by:
    - Accuracy of Customer Information - Opinions and recommendations contained within our assessment are dependent on the accuracy, completeness and correctness of the data, specifications, documents and other information provided by the Port of San Francisco (oral or in writing). If any of the data supplied by the Port are inaccurate, incomplete or incorrect, then the opinions and recommendations contained in the assessment report may be invalid.
    - Changes in Existing Conditions - Opinions and recommendations address known and potential risks, vulnerabilities and threats as of the date of this assessment report. This assessment report is based on the current status of the Port of San Francisco's facilities, infrastructure, personnel, computer networks, systems, equipment, software, data, protocols, procedures and policies, and the compliance by Port employees, subcontractors and others with such requirements (existing conditions) at the time of the team's assessment. If changes occur, the analysis and recommendations expressed in the report may not be valid, and the assessment team should be consulted.
    - Technology Advances and Changing Vulnerabilities - As advancements and changes in computer systems, hardware, software and other technologies and equipment occur, the threats, vulnerabilities and risks faced by Port of San Francisco will necessarily change, and new risks and threats will develop. Vulnerabilities and weaknesses in a given facility, computer system configuration, or associated with the hardware, software, and other technologies and equipment used in such facilities and systems can also change over time as terrorists, hackers and other persons gain more experience and knowledge and access to more sophisticated tools and technology. Accordingly, technology advances and changes in vulnerabilities could impact the analysis, opinions and recommendations found in this assessment report.

PROJECT DELIVERABLES:

The following deliverables for the project are listed below:

- Assisting the Port of San Francisco through the preparation of the Federal Security Grant Application.

- Providing a comprehensive vulnerability assessment of designated Port facilities or Operations that qualify for grant funding. These assessments support the grant application will become part of the overall vulnerability assessment and will be included in the final report.
- Biweekly briefings with designated Port management personnel concerning project status, past period's activities, future period's activities, any significant security findings, and any difficulties encountered that the Port may be able to assist or facilitate in resolving.
- Draft report (five numbered hard copies) containing the security assessment for the Port's
- Final report (five numbered hard copies) and one (soft copy CD ROM) delivered to the Port of San Francisco containing the entire security assessment.
- Completed "eLeader" project database (application software) to the Port of San Francisco that includes all of the asset security risk profile results
- Briefing and Management multimedia presentation to Port personnel addressing significant findings of the Port security and vulnerability assessment.

PAYMENT SCHEDULE:

Phase	Payment 1 (On/About 3/7/03)	Payment 2 (On/About 3/31/03)	Payment 3 (On/About 4/30/03)	Payment 4 (On/About 5/31/03)	Payment 5 (On/About 6/30/03)
Phase I – Initial Consultation (VA of selected facilities)	$100,000				
Phase II – Port Security and VA of rest of Port of SF		$30,000	$30,000	$30,000	$30,000
Phase III – Threat and Risk Analysis		$30,000	$30,000	$30,000	$30,000
Phase IV – Legislative Review and Review of Prior Assessments		$10,000	$10,000	$10,000	$10,000
Phase V – Security Analysis and Mitigation Strategies		$15,000	$15,000	$15,000	$15,000
Phase VI – Report Preparation		$10,000	$10,000	$10,000	$10,000
Phase VII – Final Report and Briefings		$5,000	$5,000	$5,000	$3,915
Totals	$100,000	$100,000	$100,000	$100,000	$98,915

PAYMENTS AND DELIVERABLES:

Payment 1: (a) VA on Cruise Ship and Cargo Terminal Operations
(b) Completed Grant Application
(c) Project Status Briefing
Payment 2: Project Status Briefing
Payment 3: Project Status Briefing
Payment 4: Project Status Briefing
Payment 5: (a) Project Final Briefing
(b) Draft of Final Report (5 printed copies)
(c) Final Report (10 printed copies, 1 electronic copy (CD ROM) of Final Report, 1 CD of "eLeader" software

PORT OF SAN FRANCISCO

MEMORANDUM

January 22,2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Fiscal Year 03/04 Operating Budget

DIRECTOR'S RECOMMENDATION: Approve Annual Operating Budget for Fiscal Year 03/04

The purpose of this item is to request Commission approval of the proposed Fiscal Year 03/04 Operating Budget. Following Commission approval, the budget will then be reviewed by the Mayor's Office, which will submit the budget to the Board of Supervisors by June 2, 2003. The Board will give final consideration to the budget on or about July 31, 2003.

The proposed Fiscal Year 03/04 Operating Budget is summarized as follows:

	FY 02/03	FY 03/04	Increase/ (Decrease)	Percent
Revenue	$51,011,970	$51,247,000	$235,030	0.5%
Expense	50,808,465	51,367,231	$558,766	1.1%
Surplus/(Deficit)	$203,506	($120,231)	($323,736)	-159.1%

THIS PRINT COVERS CALENDAR ITEM NO. **6A**

Revenue

The proposed revenue budget of $51.2 million for FY 03/04 reflects a $0.2 million decrease or 0.1% over the FY 01/02 budget. Projected revenues for FY 03/04 are as follows:

	FY 02/03	FY 03/04	Increase/ (Decrease)	Percent
Cargo	$3,138,000	$3,943,000	805,000	26%
Ship Repair	1,075,000	700,000	(375,000)	-35%
Harbor Services	933,000	977,000	44,000	5%
Cruise	760,000	1,173,000	413,000	54%
Fishing	1,476,000	1,405,000	(71,000)	-5%
Other Marine	1,243,500	1,436,000	192,500	15%
Commercial/Industrial Rent	30,914,000	32,731,000	1,817,000	6%
Parking	6,928,000	6,527,000	(401,000)	-6%
Filming	75,000	75,000	0	0%
Special Events	7,500	75,000	0	0%
Miscellaneous Services	50,000	50,000	0	0%
Facility Damage	6,000	6,000	0	0%
Permits	175,000	175,000	0	0%
Miscellaneous Repairs	30,000	30,000	0	0%
Negotiation Fees	50,000	50,000	0	0%
Interest on Investments	2,220,000	1,870,000	(350,000)	-16%
Penalties & Svc. Charges	15,000	15,000	0	0%
Miscellaneous Receipts	9,000	9,000	0	0%
Subtotal	$49,105,000	$51,247,000	$2,074,500	4%
From Fund Balance	1,839,470	0	(1,839,470)	0%
Total	$51,011,970	$51,247,000	$235,030	0%

The major changes in the FY 03/04 revenue budget compared to the prior fiscal year are in Cargo, Ship Repair, Cruise, Commercial/Industrial Rent, Parking, and Interest on Investments as a result of the following:

- Revenues from cargo shipping operations are projected to increase by $805,000, or 26%, based on space expansion and new agreement with Maritime Terminals at Pier 80.

- Revenues from ship repair are projected to be $375,000 less than the previous year. This projection is based on the estimated lease amount for FY 03/04 under the terms of a new 5-yr lease currently under negotiation.

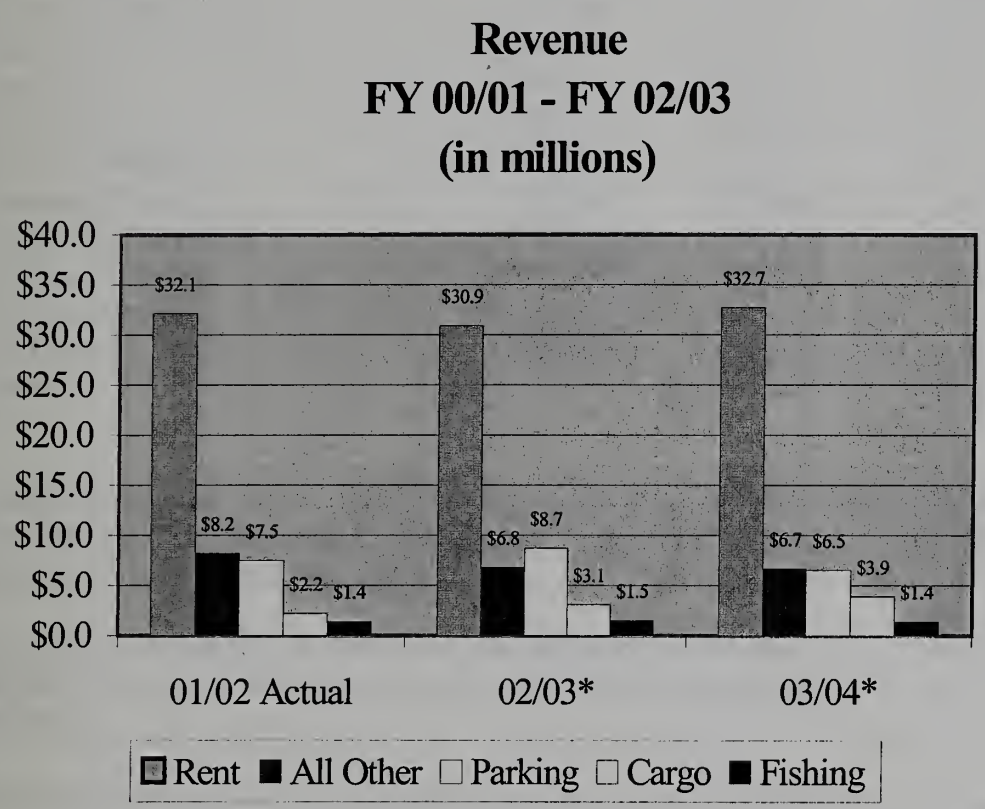
- Revenues from cruise operations are projected to increase by $413,000 due to anticipated new cruise calls to San Francisco and addition of new coastal cruises in San Francisco.

- Revenues from commercial/industrial rents are projected to increase by $1,817,000 mainly due to scheduled rent increases, CPI adjustments, and new and renegotiated leases.

- Revenues from parking are projected to decrease by $401,000 or 6% primarily due to lower parking demand and substructure repair credits for a lot at Fisherman's Wharf.

- Interest income is projected to decrease by $350,000 or 16%. The projection is based on an average earnings rate of 3% on an average operating balance of approximately $50 Million, and additional earnings from the debt service reserve fund held by the trustee.

Revenue for a three-year period is as follows:



*Budget

Expense
The proposed FY 03/04 expense budget of $51.4 million is a $0.6 million increase or 1% over the prior fiscal year. The expense summary for FY 03/04 is as follows:

	FY 02/03	FY ¾	Increase/ (Decrease)	Percent
Salaries & Benefits	$22,474,256	$23,683,947	$1,209,691	5%
City-wide Overhead	728,426	728,426	0	0%
Other Current Expenses	6,574,102	6,647,802	73,700	1%
Materials & Supplies	1,445,046	1,664,234	219,188	15%
Fixed Charges	358,584	916,400	557,816	156%
Capital Outlay	90,000	320,000	230,000	256%
Facilities Maintenance	524,800	591,200	66,400	13%
Debt Service	7,029,240	6,159,325	(-869,915)	12%
Insurance	1,889,763	2,267,716	377,953	20%
City Attorney	1,983,534	2,233,534	250,000	13%
Fire Protection	1,629,828	1,792,811	162,983	10%
Workers Comp.	600,000	750,000	150,000	25%
Light, Heat & Power	1,332,360	1,374,000	41,640	3%
Revenue Transfer Out/Recovery	213,657	306,383	92,726	43%
All Other	3,934,869	1,931,453	(-2,003,416)	-51%
Total	$50,808,465	$51,367,231	$558,766	1%

The major changes in the FY 03/04 expense budget over the prior fiscal year are in Salaries & Benefits, Materials & Supplies, Capital Outlay, Facilities Maintenance, City Attorney and Other Services as a result of the following:

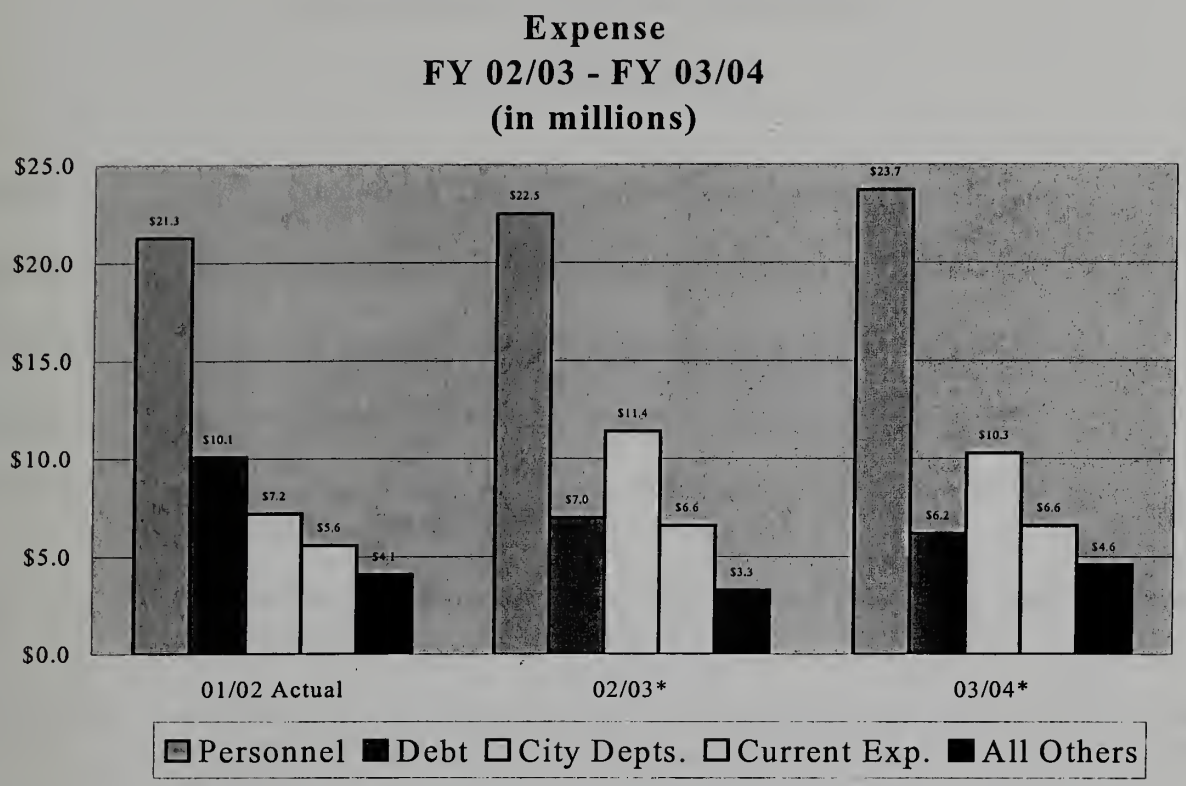
- Salaries & Benefits are projected to increase by $1,209,691, or 5%, as a result of adjustments: MOU, step increases, etc. Staff is not recommending any new positions in FY 03/04.

- Materials & Supplies are projected to increase by $219,188 or 9%. This is based on staff evaluation of needed materials and supplies and the Port's effort to contain cost.

- Capital Outlay is projected to increase by $230,000, or 256% based on staff evaluation of equipment needs. The Port substantially reduced its equipment requests in FY 02/03.

- The major services of other City Departments will increase by $982,576, or 13%. This increase is primarily due to an increase in insurance premiums, a projected increase in workers compensation, fire protection, and legal fees.

Expense for a three-year period is as follows:



*Budget

Port staff recommends that the Commission adopt the annual operating budget and authorize the Executive Director to make non-material changes to the budget as may be necessary. Non-material changes are generally technical adjustments to the budget, not policy changes. Examples of non-material changes include updates to the budget for salaries and fringe benefits as City-wide MOU's are finalized or adjustments to work order amounts with other City departments as cost estimates are finalized. Once the Mayor's Office and the Board of Supervisors finalize the budget, staff will report to the Commission regarding the adopted budget, detailing all changes made by staff, the Mayor and the Board.

Prepared by: Chudi Chuba

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-07

WHEREAS, staff has developed a Fiscal Year 2003/034 operating budget; and

WHEREAS, the operating budget includes projected revenues of $51,247,000; and

WHEREAS, the operating budget includes projected expenses of $51,367,231; and

WHEREAS, the operating budget includes projected deficit of $120,231; and

WHEREAS, the operating budget must also be approved by the Mayor and the Board of Supervisors; now therefore, be it

RESOLVED, that the Port Commission hereby approves the Fiscal Year 2003/04 operating budget as presented by staff; and be it further

RESOLVED, that the Port Commission hereby authorizes the Executive Director to make non-material changes to the operating budget as may be necessary; and be it further

RESOLVED, that the Port Commission hereby authorizes the Executive Director to use funds from the Port's operating reserve to cover any Fiscal Year 2003/04 operating budget deficit.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of January 28, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

January 23, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Request for a Supplemental Appropriation to authorize expenditure of $2,300,000 in Operating Reserve funds to pay for expenses associated with the Drydock #1.

DIRECTOR'S RECOMMENDATION: AUTHORIZE THE EXECUTIVE DIRECTOR TO REQUEST A SUPPLEMENTAL APPROPRIATION TO AUTHORIZE EXPENDITURE OF $2,300,000 IN OPERATING RESERVE FUNDS FOR COSTS ASSOCIATED WITH THE RESTORING TO SAFE HARBOR AND FINAL DISPOSAL OF THE DRYDOCK #1.

BACKGROUND:

On November 12, 2002, Port Commission President Michael Hardeman declared that an actual emergency existed with regards to Drydock #1 after it ran aground at the Yerba Buena Island. Persuant to Administrative Code Section 6.60, the Port also notified the Controller and the Board of Supervisors of the existence of the emergency.

Port staff estimates that $3.3 million will be needed to cover the cost of temporary repairs, transport from Yerba Buena Island to a safe harbor at the Port, and final disposal of the Drydock.

Temporary repairs and transport to safe harbor	$1,500,000
Disposal of vessel	1,800,000
Total estimated cost	$3,300,000

On January 14, 2003, the Port Commission approved Resolution No. 03-03 authorizing the Port Director's execution of the emergency contract with Titan Maritime, LLC, to transport the Drydock #1 to a safe harbor at the Port, and authorized the Director to seek Board of Supervisor's approval.

This Print Covers Calendar Item No. **6B**

The Port entered into this contract with Titan Maritime on the basis of an emergency declaration by the Port. On December 8th the drydock was successfully removed from Yerba Buena to the Port. Titan Maritime has successfully completed its scope of work under the contract and had demobilized and withdrawn its equipment and submitted charges totaling $1,026,450.

RECOMMECNDATION:

While the drydock is now stable and relatively safe, it is the staff's view that it is in the Port's best interest to work towards the ultimate removal of the vessel from the Port's responsibility. Currently Port staff is actively exploring various disposal options. Port staff recommends that (1) a portion of the total cost of repairs, transport, and final disposal of the Drydock #1 be funded with capital funds, and (2) unappropriated operating reserve funds be used to fund the remaining balance. However, in order to use unappropriated operating funds the Port must request a supplemental appropriation through the Mayor and the Board of Supervisors as shown below:

Supplemental Appropriation Amount:

Total estimated cost	$3,300,000
Less amount funded by reallocated previously appropriated capital funds	1,000,000
Funds drawn from the unappropriated operating reserve	$2,300,000

Port staff recommends that the Port Commission direct the Port Executive Director to request a supplemental appropriation as outlined above.

Prepared by: Chudi Chuba

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-06

WHEREAS, On November 12, 2002, Port Commission President Michael Hardeman declared that an actual emergency existed with regard to Drydock #1 when the Drydock ran aground at Yerba Buena Island during a high wind storm, after it broke loose from its berth and caused damage by pulling two large bollards off the pier; and

WHEREAS, Pursuant to the emergency declaration, the Port entered into an emergency contract with Titan Maritime, Inc. to perform salvage operations to recover Drydock #1 and transport it to a safe harbor at the Port; and

WHEREAS, By January 6, 2003, Titan Maritime completed its scope of work under the contract to date, and has demobilized and withdrawn its equipment, submitting charges totaling $1,026,450; and

WHEREAS, At its January 14, 2003 the Port Commission by Resolution 03-03 approved the Port Director's execution of the emergency contract with Titan Maritime, Inc., and authorized the Executive Director to seek Board of Supervisor's approval; and.

WHEREAS, The amount to cover the expenses of temporary repairs to the Drydock #1, transport to safe harbor, and final disposal is estimated by Port staff to be $3,300,000; and

WHEREAS, In order for the Port to expend the operating reserve funds to pay for the costs associated final disposal of the Drydock #1, a supplemental appropriation must be processed; now, therefore, be it

RESOLVED, That the Port Commission authorize the Executive Director to request the Mayor's and Board of Supervisors' approval for a supplemental appropriation in the amount of $2,300,000 to pay for the costs associated with the final disposal of Drydock #1.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of January 28, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

January 23, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Request for Approval of Reallocation of previously appropriated Capital Project Funds.

DIRECTOR'S RECOMMENDATION: APPROVE THE REALLOCATION OF $20,311,000 OF PREVIOUSLY APPROPRIATED CAPITAL PROJECT FUNDS AND AUTHORIZE THE EXECUTIVE DIRECTOR TO SEEK THE MAYOR AND THE BOARD OF SUPERVISOR'S APPROVAL.

BACKGROUND:
The Port's Finance department determined that there is no operating surplus funds for new capital projects, including the Port's annual contribution to Special Area Plan, and the need for dredging in FY 2003/04. Port staff reviewed the capital plan and determined that additional funding is needed for Pier Repair Capital Projects. Port staff also identified new capital projects arising during the first half of FY 2002/03 as urgent needs which warrant allocation of funding during FY 2002/03. The projects include Drydock #1 emergency response and disposal, and remediation of contaminated soil at Pier 92. In order to pay for the on-going projects and the new urgent projects, the Port needs to reallocate existing authorized capital project funds.

Port staff therefore requests approval of reallocation of available capital funds as determined below:

Funding Available - All Capital Projects Previously Funded	$31,700,000
Less:	
On-going Capital projects whose funding must be maintained	(4,431,000)
Newly identified Critical Funding needs	(9,650,000)
Funding committed for required needs	(14,081,000)
Remaining available funds for capital projects	17,622,000
Amount to be taken from the operating reserve*	2,300,000
Estimated remaining funds from Pier 48 insurance proceeds	389,000
Total funds available for pending reallocation	$20,311,000

*Requires Supplemental Appropriation.

This Print Covers Calendar Item No. **6C**

Port staff will submit to the Commission the detailed capital projects and funds to be reallocated before going to the Mayor and the Board of Supervisors for approval.

RECOMMENDATION:

Port staff recommends that the Port Commission approve the request to reallocate Capital Project Funds and direct the Port Executive Director to request approval from the Mayor and the Board of Supervisors.

Prepared by: Chudi Chuba

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-08

WHEREAS, Several new capital projects, including the Drydock #1 Emergency Response and Disposal, and the Remediation of Contaminated Soil at Pier 92, have arisen during the first half of FY 2002/03, which Port staff have identified as urgent needs which warrant allocation of funding during FY 2002/03, and

WHEREAS, Funds in the previously approved Pier Repair capital project are nearly exhausted as a result of numerous urgent Pier repair projects were identified and funded in FY 2001/02, and

WHEREAS, Port staff has identified additional repairs to the Port deteriorated piers which are needed to support Port operations and new business opportunities, and

WHEREAS, These additional repairs require the allocation of additional funding to the Port's Pier Repair capital project, and

WHEREAS, Port staff has identified capital projects priorities for FY 2003/04 including the annual funding for the Special Area Plan, and funding for repair of the aprons at Pier 48, and

WHEREAS, Port staff has determined that Port operations in FY 2001/02 generated no cash surplus with which to fund these capital needs, and

WHEREAS, Port staff has requested the Port Commission approval of the use of $2,300,000 in unappropriated operating reserve funds to pay for a portion of the Drydock #1 Emergency Response and Disposal, and

WHEREAS, The allocation of additional funds is required to cover all of the new urgent capital project needs, capital projects priorities for FY 2003/04, and additional funding needed for the Port's Pier Repair capital project, and

WHEREAS, Port staff has recommended that this additional funding be obtained through the reallocation of previously appropriated capital projects, and

WHEREAS, Port staff is currently determining the exact reallocation and will submit to the Commission the detailed capital projects and funds to be reallocated before going to the Mayor and the Board of Supervisors for approval, now, therefore, be it

RESOLVED, That the Port Commission approve the reallocation of $20,311,000 of previously appropriated capital project funds and authorize the Executive Director to seek approval from the Mayor and the Board of Supervisors.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of January 28, 2003.

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Secretary

/03

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SAN FRANCISCO
PORT COMMISSION

JANUARY 28, 2003
MINUTES OF THE REGULAR MEETING

MEMBERS, PORT COMMISSION

HON. MICHAEL HARDEMAN, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. DENISE McCARTHY
HON. BRIAN McWILLIAMS

DOUGLAS F. WONG, EXECUTIVE DIRECTOR

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE MEETING
JANUARY 28, 2003

1. ROLL CALL

Commission President Michael Hardeman called the meeting to order at 4:03 p.m. The following Commissioners were present: Michael Hardeman, Denise McCarthy and Brian McWilliams. Commissioner Brandon was not present.

2. APPROVAL OF MINUTES - January 14, 2003 Regular Meeting

ACTION: Commissioner McWilliams moved approval; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor. The minutes of the January 14, 2003 meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report:

EIR for the Bryant Street Pier and Brannan Street Wharf Projects: Mr. Wong announced that the Board of Supervisors certified the Final Supplemental Environmental Impact Report for the Bryant Street Pier and Brannan Street Wharf projects. The Draft SEIR was published in November 2001 and initially certified by the Planning Commission in May 2002. The SEIR was then appealed by an environmental organization to the Board of Supervisors last summer. The Board remanded the SEIR back to the Planning Department for revisions. The Port and Lend Lease (the project lead developer) worked collaboratively with the Planning Department and the appellant to revise and strengthen the document, particularly on items relating to air and water quality. In November 2002, the Planning Commission unanimously re-certified the SEIR. However in December, the SEIR was appealed for a second time by a neighborhood organization. On January 21, 2003, the Board considered the appeal but voted unanimously to reject it and certify the SEIR. This is an important milestone since environmental certification must be completed prior to any Port Commission consideration of project approvals. He thanked Byron Rhett, Peter Dailey and their respective staffs for their efforts on this project.

Commissioner McWilliams thanked Ernestine Weiss for all the work she has done, her tireless advocacy of issues on behalf of the City, the Port, and her community. As a token of appreciation for all the work that she has done, he presented her with a birthday card.

Ernestine Weiss thanked the Port and everyone for being so kind to her through the years and including her in many of the events that took place at the Port. It's was a pleasure for her to be of help and will continue to do her work for the Port.

4. CONSENT

A. Request for approval of Extension of Exclusive Right to Negotiate Agreement with San Francisco Waterfront Partners for the Piers 1-½, 3 & 5 project. (Resolution No. 03-04)

ACTION: Commissioner McCarthy moved approval; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor; Resolution No. 03-04 was adopted.

5. MARITIME

A. Request for authorization to award a professional services contract to Parsons Brinckerhoff for Security Assessment Services. (Resolution No. 03-05)

Mr. John Davey, Asst. Deputy Director, presented the item and requested Commission's approval. He thanked the members of the review panel who evaluated the response to the RFPs: Guadalupe Thomas, Maintenance Superintendent; Pat Wilson, Real Estate; Sgt. Daniel Linehan, Police Department; Capt. Ken Cereghino, Port Fire Marshal; Kenny Levin, SF Bar Pilots; Mary Culnane, Water Transit Authority; and Joe Smith, Pier 39. He also thanked the members of the Port interdisciplinary team for their efforts: Mark Lozovoy, Phil Williamson, John Doll, Mike Nerney and Tim Yoshida.

Mr. Davey noted that during the RFP and the selection process, the Port made certain that there was an opportunity for local, minority and women businesses to participate. One of Parsons Brinckerhoff subcontractors is a woman owned business. The entire funding for this project is provided through a Transportation Security Administration (TSA) grant.

Commissioner McWilliams indicated that there is going to be a cost involved to the Port to provide the security services in addition to the assessment work. He inquired if federal grants are available or if the Port will pay for the security mitigation costs. He asked if there have been any discussions regarding the financial impact to the Port.

Mr. Davey replied that to accelerate the assessments of the two specific facilities, staff has identified, in light of the mandates from the Coast Guard and from its experience and knowledge of the facilities, the projects that would need additional capital funds to meet the mandated guidelines. Those projects have been identified in the next round of grant funding from the Transportation Security Administration. Staff will secure grant funds for specific projects for improvements such as perimeter security, lighting, closed circuit television (CCTV), public address system, etc. Since the Port was awarded the assessment grant, it has a high degree of possibility of securing those grants. Due to more stringent requirements, there are a lot of procedural improvements and identification of procedures that may have not been put in place but they will not necessarily result in direct cost because staff could do the work. However, there are additional cost exposures that the Port will have to address. Working with the security consultant, particularly through the legislative analysis and the governmental compliance areas, staff could identify other avenues and resources for monies and grants. Creating security awareness and providing safety at a higher degree than in the past is costing companies, both public and private, additional expense.

Commissioner McWilliams was concerned that the cost will be passed onto the Port's

maritime customers and drive the price of doing business hereof and put the Port at a disadvantage. The Port is marginal at best because of the amount of volumes it is able to create. Small ports are particularly going to be at a disadvantaged in this process if the costs have to be borne by the Port's themselves.

Mr. Davey indicated that in his discussions with other ports, particularly with the CAPA ports, they are all considering security fees, charges and other ways in which to capture some of the costs but in proportion to the services and the volumes provided. In assessing additional charges or security terminal fees to our customers, the Port needs to: (1) be sensitive with benchmarking and calibrating the charges and be able to demonstrate that those costs are proportional to the services and to the additional cost to the Port; and (2) ensure that they are not at a competitive disadvantage to other sister ports. The fee that will be assessed will be in proportion to the volume and the services provided.

Commissioner McWilliams remarked that it would put the whole coast in a competitive disadvantage because those fees won't be passed through in Canada or Mexico and depending on what the ultimate cost might be, the impact of attracting maritime trade might be severe. Mr. Davey indicated that it puts the whole country in a disadvantage.

ACTION: Commissioner McCarthy moved approval; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor; Resolution No. 03-05 was adopted.

6. FINANCE

A. Request for approval of the Port's Fiscal Year 2003/04 Operating Budget. (Resolution No. 03-07)

Mr. Joel Robinson, Director of Administrative Services, presented the preliminary budget for FY 2003/2004 and requested Commission's approval of the $51.2 million operating budget. He commended his staff for their work on the budget: Chudi Chuba, Larry Brown, Andres Acevedo and John Woo. There are still pending negotiations with the Mayor's office, Board of Supervisors and Budget Analyst before the budget is finalized. There are wildcards in the budget that could possibly impact the budget as presented. The Port netted a revenue increase of $235,00. Without those increases, the Port would be in worst shape. He commended Peter Dailey and his staff for their efforts in increasing the maritime revenues; Ken Winters and his staff for their efforts in increasing the rental revenues; Alex Lee and his staff for economizing and cutting back on their expenses. The Port is netting an expense increase of $500,000 due to many factors beyond its control. Since September 11th, insurance prices have skyrocketed. The salary standardization for staff has also gone up approximately $1.2 million. Included in the budget last year was a $2 million transfer to the City from the Port which is being encumbered by the Mayor's office but it has not been spent. The Mayor's office is holding that money pending the results of the nexus study that the Port is in the process of doing. The $2 million transfer was not included in the 2003/04 budget. If the Mayor's office determines that the Port owes the City $2 million, the Port will have to either use the $ 2 million operating reserve or make additional cuts of $2 million in its operating budget or any portions thereof. The Port does not have any other means of furnishing the money to the City without additional

cuts or additional revenue reserve transfers to the City. Port staff will continue to work with the Mayor's office to eliminate or minimize any such transfers. The Mayor's budget office originally estimated that the Port needed $57.7 million to operate the Port in FY 2003/04. With the cooperation of the directors and staff, the original estimate was reduced by $6 million. This was in part accomplished by defunding eight vacant positions at the Port, a savings of $542,000. Mr. Robinson emphasized the importance of maintaining leverage with the Mayor's office so that any transfers could be kept at a minimum or none at all. Any other reduction from the operating budget would mean significant cuts within the Port and staff. It is critical to communicate to the Mayor's office and to the Board that the Port is operating at a minimal level. Last year, the equipment budget was eliminated. This year, approximately $200,000 was added to the budget. The materials and supplies budget was decimated. It is important that the wildcard be played in favor of the Port to avoid any more transfers to the City. Staff will apprise the Commission of any further changes to the budget.

In balancing the budget, Commissioner McWilliams inquired if the budget was accomplished without laying off any employees. Mr. Robinson replied that staff did its best to balance the budget without laying off any employees.

Commissioner McCarthy indicated that the Board of Supervisors is still holding in excess of half a million dollars of Port money that was part of the 2002/2003 budget. She asked if the Port would get it back. Mr. Robinson replied that staff hopes to get it back. Staff has negotiated with Supervisor Maxwell, who put the money on reserve, to fulfill her request that would allow her to release the money. She is waiting for documents from the Dept. of Public Works regarding the dirt pile at Pier 92 and the roadway that will be built on Amador Street. Staff hopes that once she receives the documents from DPW, the money will be released. Staff will then write a letter to the Finance Committee of the Board requesting release of the money.

Commissioner McCarthy indicated that if the money was released, it would only help the Port with this year's budget and would not have any impact on next year's. Mr. Robinson concurred that it will indeed help us with our cash flow this year but not next year.

Commissioner McCarthy remarked that although it seems like there's not much discussion from the Commissioners, staff provided the Commission a two-hour briefing and answered their questions regarding the budget. Commissioner Hardeman remarked that Chudi Chuba was very helpful during the briefing and answered all their questions.

Francisco Da Costa, Environmental Justice Advocacy, thanked former Commissioner Pius Lee for being involved with the discussions regarding leases and rents at the Port. Mr. Da Costa mentioned that he attends numerous Board of Supervisors meetings. Some of the discussions were related to what is happening at the Port. The Commission has been given a two-hour briefing about the budget but the public is not afforded the same opportunity. He was interested about the security from Pier 70 to Pier 1. Opportunities should be given to everybody not just a select group. They need to get a breakdown of the businesses, type of community they represent and how much of that money goes to the communities within San Francisco. Some of the Commission has had lots of experience and he hoped that they will incorporate their experiences to serve the community.

ACTION: Commissioner McCarthy moved approval; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor; Resolution No. 03-07 was adopted.

B. Request for approval of Supplemental Appropriation to pay for Drydock No. 1. (Resolution No. 03-06) **This item was taken off the calendar and deferred to the next meeting.**

C. Request for approval of Reallocation of Capital Project Funds. (Resolution No. 03-08) **This item was taken off the calendar and deferred to the next meeting.**

7. NEW BUSINESS/PUBLIC COMMENT

Joe Wyman, Hornblower Cruises & Events, provided the Commission a copy of his letter to Commissioner Hardeman requesting reallocation of capital funds to cover the Dept. of Parking & Traffic's modifications to the Washington and Embarcadero intersection as well as a copy of Chris Meany's letter in support of his request. A letter from the Waterfront Restaurant is forthcoming. He urged the Commission to support the reallocation of capital funds.

Corinne Woods, Bayview Boat Club & Mission Bay CAC, urged the Commission that funding for the new public boat launch parking lot project must be maintained in the budget. They have been working on this project for more than 10 years. To postpone the parking lot would mean postponing the Mission Bay Park. To postpone the Mission Bay Park would mean losing funds for landscaping and other upgrades. They are working on a BCDC permit and already have a Dept. of Boating & Waterways grant. She urged the Commission not to defund the project.

John Super, Bayview Boat Club, reiterated Ms. Woods' request to not defund the public boat parking lot project. Without a parking lot, the existing launch ramp is useless. Due to the construction of the Mission Bay, parking on the street is going to be non-existent. Public boating in that area will go downhill if the parking lot is not built.

Andrew Bozeman, Bayview Hunters Point, pointed out that a few weeks ago, he came to the Commission pleading for a dialog with Port staff. Since that time, he has since met with Ken Winters, Director of Real Estate and Byron Rhett, Director of Planning & Development. Even though nothing has transpired yet, a dialog has come about. They are beginning to understand each other and it is the beginning of accomplishing something. Eventually it will bear fruit and it will probably help in the budget process as well. He thanked the Commission and informed them that things are happening.

Commissioner Hardeman thanked staff for all their work and urged them to keep up the good work. He complimented them for keeping their composure under pressure during the Board of Supervisors hearings. He suggested that staff keep their composure during this difficult time and do their best to manage the budget.

8. EXECUTIVE SESSION

ACTION: Commissioner McCarthy moved approval; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor.

At 4:55 p.m., the Commission withdrew to executive session to discuss the following:

CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and Action Items)

a. Discuss existing litigation matter pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case):

- F. Alioto Company, Inc. et al. v. City & County of San Francisco, et al., S. F. Superior Court Case No. 318360, filed January 25, 2001.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 (1 case as defendant).

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: Piers 1-½, 3 & 5
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*San Francisco Waterfront Partners: Simon Snellgrove

9. RECONVENE IN OPEN SESSION

At 5:33 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner McCarthy moved approval to adjourn executive session and reconvene in open session; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner McCarthy moved approval to not disclose any information discussed in executive session; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor.

10. ADJOURNMENT

ACTION: Commissioner McCarthy moved approval to adjourn the meeting; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor.

The meeting was adjourned at 5:34 p.m.

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SAN FRANCISCO
PORT COMMISSION

REGULAR MEETING
4:00 P.M., TUESDAY, FEBRUARY 11, 2003
BAYSIDE CONFERENCE ROOM
PIER 1, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com.

AGENDA

1. **ROLL CALL**

2. **APPROVAL OF MINUTES** - January 28, 2003 Regular Meeting

3. **EXECUTIVE**

   A. Executive Director's Report
   - Rincon Park Grand Opening Ceremony on February 13, 2003 @ 11:30 a.m.
   - Recognizing Sylvia Kwan for her service on the Waterfront Design Advisory Cmte.

   B. Informational Presentation: Water Transit Authority's Implementation and Operations Plan for Expanded Ferry Transit.

4. **CONSENT**

   A. Request for authorization to increase the contract amount with the consultant team led by Bay Area Economics, Inc. (BAE) for an additional $50,000, and to execute a second amendment of Real Estate Consulting Services for the Piers 27-31 Mixed Use Recreation Project for $30,000. (Resolution No. 03-10)

   B. Request for approval of amendment to Port Commission Resolution 03-03, Emergency Contract with Titan Maritime, LLC from original amount of $1,026,450 to $1,182,000. (Resolution No. 03-11)

   C. Request for approval of the Port Director's execution of the emergency contract with San Francisco Drydock Inc. and authorize the Director to seek the approval of Board of Supervisors. (Resolution No. 03-06)

5. **REAL ESTATE**

   A. Request for approval of a Memorandum of Agreement with Boudin Properties, Inc. allowing for the temporary cessation of full-service restaurant use and authorizing

temporary retail sales use in a portion of the premises located at 160 Jefferson Street. (Resolution No. 03-09)

6. ADMINISTRATIVE SERVICES

A. Request for approval of reallocation of previously appropriated Capital Project Funds. (Resolution No. 03-08)

7. NEW BUSINESS/PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

B. CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion Item)

a. Discuss existing litigation matter pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case). (Discussion Item).

- Employers Insurance of Wausau v. LTM Construction Co. Inc., Keith V. Lennon, Cecile Lennon, City and County of San Francisco;
  San Francisco Superior Court Case No. 412640, filed September 17, 2002.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case) (Discussion Item).

- As Defendant: The Port has received a claim for damages from SeaRiver Maritime, Inc., relating to tugboat damage after Drydock #1 parted from its moorings on November 7, 2002.

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: Piers 19/23
Person Negotiating: Port: Douglas F. Wong, Executive Director
*Big C Traders: Raymond Lynch

Under Negotiation: ___ Price ___ Terms of Payment _X_ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Piers 19/23.

b. Property: Pier 70
Person Negotiating: Port: Peter Dailey, Maritime Director
*San Francisco Drydock: Joe O'Rourke, President

Under Negotiation: ___ Price ___ Terms of Payment _X_ Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Pier 70.

c. Property: The Embarcadero Hotel
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Stanford Hospitality, Inc: Antony Carter

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for the Embarcadero Hotel.

d. Property: Pier 26
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*International Museum of Women: Elizabeth Colton

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Pier 26.

e. Property: Pier 1-½, 3 & 5
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*San Francisco Waterfront Partners, LLC: Simon Snellgrove.

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Pier 1-½, 3, & 5.

f. Property: Pier 7
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Waterfront Restaurant: Al Falchi

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Pier 7.

g. Property: Pier 96
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Next Arts: Anthony Imperial

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Pier 96.

h. Property: Pier 28- ½
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Prospective Bidder(s)

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding the selection of candidate for Pier 28-½.

i. Property: 501 Cesar Chavez
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Butler Enterprises: Derf Butler

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at 501 Cesar Chavez.

j. Property: Francisco Bay Office Park
Person Negotiating: Port: Ken Winters, Director of Real Estate
*SKS/FBOP Associates, LLC: Paul Stein

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Francisco Bay Office Park.

k. Property: 498 Jefferson Street
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Franceschi Restaurant: Paul Capurro

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at 498 Jefferson Street.

l. Property: Pier 9
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Pacific Marine Yacht Charters, LLC (Signature Yachts): Garrett O'Doherty

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 9.

m. Property: Pier 33
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Lapis Restaurant: Sheila Zaki

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 33.

9. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

B. Vote in open session on whether to disclose any or executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

10. ADJOURNMENT

FEBRUARY/MARCH 2003
CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
February 11	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
February 25	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
March 11	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
March 25	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1

NOTES:
The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 4:00 p.m., unless otherwise noticed, in the Bayside Conference Room @ Pier 1. Contact Amy Quesada at 274-0406. ***The Commission Agenda and staff reports are also posted on the Port's Website @ www.sfport.com.***

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Please contact Tiffany Bohee at 749-2481 for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Pier 70 Advisory Group meets monthly on an as-needed basis generally on the 2nd Wednesday of the month from 4 to 6 p.m. at the Potrero Campus of the California College of Arts and Crafts, Board Room, 1111 – 8th Street between Irvin and Hooper. Contact Mark Paez @ 705-8674.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Please contact Tiffany Bohee at 749-2481 or 749-2400 for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every 1st Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conference Room @ Pier 1. Contact Dan Hodapp @ 274-0625.

Port Website: Check out the Port's Website at **www.sfport.com.**

ACCESSIBLE MEETING INFORMATION

Getting to Pier 1:
Pier 1 on the Embarcadero, at the foot of Washington St. The Embarcadero Station is the closest BART and MUNI Metro stop, located below Market St. at Drumm & Spear Streets. The nearest F-Line streetcar stop is on the Embarcadero at Washington St. MUNI bus lines serving the Pier 1 area are the 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142.

The nearest accessible parking is provided in the following off-street pay lots:
A) 1 space in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking.

Metered street parking is available on the Embarcadero, Washington St. and Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Commission Bayside meeting room. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Commission meeting room.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Nita Mizushima, Chief Harbor Engineer, at 274-0559. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, please contact Donna Hall, Administrator at 554-7724; fax 554-5163; e-mail address Donna_Hall@ci.sf.ca.us; City Hall, Room 244, One Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4689. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Ordinance Task Force, the San Francisco Public Library and on the City's Website at www.ci.sf.ca.us/bdsupvrs/sunshine.

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code §2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

February 5, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Authorization to increase the contract amount with the consultant team led by Bay Area Economics, Inc. (BAE) for an additional $50,000 and to execute a second amendment for Real Estate Consulting Services for the Piers 27-31 Mixed Use Recreation Project for $30,000.

DIRECTOR'S RECOMMENDATION: AUTHORIZE INCREASE IN CONTRACT WITH CONSULTANT TEAM LED BY BAY AREA ECONOMICS, INC., AND AUTHORIZE STAFF TO EXECUTE A SECOND AMENDMENT FOR REAL ESTATE CONSULTING SERVICES

Summary

In November 2002, the Port Commission approved an extension of the Exclusive Right to Negotiate (ERN) with The Mills Corporation to develop a Mixed Use Recreation Project at Piers 27-31. Mills was required to pay a non-refundable Negotiating Fee of no less than $100,000 and a Reimbursable payment of no less than $30,000, to cover the costs of real estate consulting services from Bay Area Economics (BAE) for the Piers 27-31 Project. Both payments subsequently were provided by the Developer.

Lease negotiations between the Port and the Developer will likely begin in the next few weeks and Port staff will require the services of BAE in what is expected to be complex negotiations, involving, in part, uses on Port property for recreation and recreation-related retail. However, the authorized contract budget for BAE's services has been completely expended. Thus, Port staff seek Commission approval to increase the authorized contract amount with BAE by $50,000 and approval to execute a Second Amendment to the BAE contract for $30,000 to cover these anticipated consultant services. Should services be required beyond the $30,000 paid by the Developer, they will be specifically approved by the Executive Director and incorporated in the form of a Third Amendment, and will not exceed the remaining $20,000 authorized under this request. We anticipate that funds for the remaining amount would come from a mix of Planning and Development capital and operating budgets for professional services.

This Print Covers Calendar Item No. **4A**

If approved, the BAE contract will then total $155,000, as follows: The original BAE contract, executed in January 2001, was for $80,000. A First Amendment for $25,000 was authorized in November 2001, to cover assistance in negotiating the Development Memorandum, a task not foreseen when the original BAE contract was signed. The current request for $50,000, if approved, brings the total from $105,000 to $155,000.

Background

On September 17, 1999, Port staff issued a Request for Qualifications ("RFQ") from teams of consultants with multidisciplinary expertise to provide professional consulting services for waterfront planning and development projects. The Port received six responses, all of which met the "Minimum Qualifications" indicated in the RFQ. All six teams, including the consultant team led by BAE, were placed on the list of "Qualified Consultant" teams from which the Port could solicit proposals for specific consulting contracts. On September 29, 2000, the Port issued a Request for Proposals ("RFP") to all six teams to provide consultant services to evaluate responses to the Port's "Piers 27-31 Amended RFP". At its November 21, 2000 meeting (Resolution 00-89), the Port Commission authorized staff to enter into a contract with the team led by BAE to provide consulting services for the Piers 27-31 Project.

The consulting services were to consist of two phases:

Phase 1: Assist the Port to evaluate proposals received in response to the Piers 27-31 Amended RFP.

Phase 2: Assist the Port to negotiate the Development Agreement and Lease for the Piers 27-31 Project with the Developer.

An initial contract budget was set at $80,000 -- $53,0000 for Phase 1 and $27,00 for Phase 2. The contract, executed in January 2, 2001 is for a term through September 30, 2003.

On November 26, 2001, the Port executed a First Amendment for an additional $25,000 for further consultant services not originally foreseen when the BAE contract was signed -- to assist Port staff in negotiating the Development Memorandum between Port staff and the Developer, required by the Port Commission as a condition of the Exclusive Right to Negotiate (ERN) sought by The Mills Corporation.

Work Accomplished to Date

Phase 1 - Proposal Evaluation. The consultant team led by BAE has completed the following tasks under Phase 1 of the contract:

- Reviewed Port documents pertinent to the proposed development project and referenced in the Piers 27-31 Amended RFP.
- Analyzed the two proposals received in response to the Piers 27-31 Amended RFP.

- Evaluated the ability and experience of the Amended RFP responders to meet the terms of the RFP.
- Critiqued the responsiveness of the proposals to the criteria set forth in the Amended RFP.
- Extensively evaluated the financial proposals and feasibility of the projects proposed, including market and financial evaluation and construction and development costs.
- Prepared a risk assessment of the proposals.
- Evaluated each proposal following evaluation criteria outlined in the Amended RFP, including qualitative requirements.
- Attended meetings with Port staff to review and discuss findings and attended Port Commission meetings.
- Managed the services of subconsultants identified in BAE's proposal dated October 24, 2000.

The Phase I budget of $53,000 was fully expended on the above tasks.

Phase 2 - Assistance with Negotiation of the Development Memorandum and the Lease Disposition and Development Agreement. As noted above, as conditions of approval of the ERN, the Port Commission required the Developer, The Mills Corporation, to prepare a Site Plan, a Schedule and a Development Memorandum. This last condition had not been a part of the original contract with BAE.

The Development Memorandum was negotiated over the course of approximately one year and executed on March 29, 2002. It is intended to be the basis for final agreements associated with the development of the Project, subject to environmental review, the public review process, and all required government approvals.

To date, the BAE, Inc. consultant team has performed the following tasks under Phase 2, associated principally with negotiating the Development Memorandum:

- Given negotiation assistance regarding business terms affecting the overall development and disposition
- Prepared financial business term proposals for negotiation
- Created a financial model to illuminate the Developer's cash flow for the project in order to test assumptions regarding rents, improvement costs, timing, absorption and financial structure
- Conducted research into specific comparables and other industry standards to draft language that would meet accepted industry practices.
- Evaluated the Developer's project feasibility including partnership arrangements
- Assisted the Port staff and legal team in direct negotiations with the Developer
- Attended meetings and developed presentations for the Port Commission

Fees paid to BAE under Phase 2 include the original $27,000, plus an additional $25,000 authorized by Amendment #1, dated November 26, 2001, for a total of $52,000. The total for Phase 1 and Phase 2, to date, has been $105,000.

Recent Project Activity

Upon completion of the Development Memorandum, Port staff commenced work on the following regulatory requirements, which did not require any consulting services from BAE:

- California Environmental Quality Act review by means of an Environmental Impact Report
- Historic Rehabilitation Tax Credit approval by the National Park Service
- Bay Conservation and Development Commission review of consistency with the Public Trust, the Special Area Plan and related laws and regulations

The Port and City Attorney staff have also been in negotiations with the Developer on a draft Lease Disposition and Development Agreement (LDDA), and are now ready to begin intense negotiations on the project Lease. Lease negotiations will likely be more complex than usual given the unique nature of the recreation uses to be incorporated in the proposed project. For this reason, Port staff seeks the additional support and expertise of BAE, which has experience in mixed-use recreation projects, during this critical negotiation period.

Request to Increase Contract Authorization Amount and to Execute a Second Amendment to the Contract

Port staff expects that final negotiations regarding the Lease, Lease Disposition and Development Agreement and related documents may take four to six months beginning in March or April of this year. The entire project is expected to go before the Port Commission for approval on or before January 2004.

Port staff seeks additional funding so BAE can provide needed support and expertise during this final negotiations period. During this time, BAE will be expected to perform the following tasks associated with the remainder of Phase 2 of the consultant contract:

- Review and evaluate proposed land uses and associated lease issues.
- Provide negotiation support for the DDA and related transaction documents.
- Verify the financial aspects and implications of the DDA and Ground Lease.
- Estimate Port revenue generated during the term of the lease.
- Provide analytical support at public hearings before the Port Commission and Board of Supervisors.

As a condition to the Exclusive Right to Negotiate extension and pursuant to the Term Sheet, the Developer was required to pay the Port $30,000 to pay for all reasonable costs associated with negotiation of the Lease, LDDA and related transaction documents. These transaction costs will be applied to the consultant team led by BAE through the second Amendment; any funds not required for payment of fees will be reimbursed to the Developer. It is possible, however, that more than $30,000 will be needed for BAE to complete the Phase 2 tasks outlined above; therefore Port staff seeks Port Commission approval to increase the authorized contract amount by an additional $50,000 to retain BAE during final negotiations period. If any services are required beyond the initial $30,000 to be paid through the Developer fees, they would be specifically approved by the

Executive Director and incorporated in the form of a Third Amendment, and will not exceed the remaining $20,000 authorized by the attached Port Commission Resolution.

Staff Recommendation

Staff recommends the Port Commission to approve an increase in the authorized contract amount with BAE for an additional $50,000, for a total authorized budget of $155,000, and to direct the Port Director to execute a Second Amendment to the BAE contract for $30,000.

Prepared by: Lynda Weisberg Swanson
Project Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-10

WHEREAS, In June 1997, the Commission adopted Resolution 97-50 adopting findings pursuant to the California Environmental Quality Act, and adopting the Waterfront Land Use Plan, including the Waterfront Design & Access element; and

WHEREAS, On September 17, 1999, Port staff issued a request for qualifications from teams of consultants with multidisciplinary expertise to provide consulting services for waterfront planning and development projects, including Piers 27-31 ("Consultant RFQ"), and Port staff, with the assistance of representatives of the Human Rights Commission, undertook good faith efforts to ensure that disadvantaged minority and woman owned business enterprises were given an opportunity to submit a proposal or participate on a consultant team as a sub-consultant; and

WHEREAS, Responses were received to this Consultant RFQ from six consultant teams, all of which were determined by Port staff to met the Minimum Qualifications indicated in the Consultant RFQ, and all six consultant teams were placed on the list of Qualified Consultant Teams from which the Port could solicit proposals for specific consulting contracts; and

WHEREAS, Port staff on September 29, 2000 requested proposals from all six Qualified Consultant Teams ("Consultant RFP") to provide consultant services regarding the Piers 27-31 Recreation Project with the scope of services consisting of two phases: (1) Phase 1, assisting the Port in evaluating proposals received in response to the Recreation Project RFP; and (2) Phase 2, as needed, assisting the Port with negotiating the development agreement and lease for the project with the selected developer pursuant to the Recreation Project RFP; and

WHEREAS, Port staff received responses to this Consultant RFP from two consultant teams, led by Bay Area Economics ("BAE"), and Economics Research Associates ("ERA"); and

WHEREAS, On November 21, 2000, the Port Commission adopted Resolution No. 00-89 authorizing the Executive Director of the Port, or his designee, to enter into a contract with BAE, Inc. for consulting services associated with the Recreation Project, in an amount of $80,000 ("Contract"); and

WHEREAS, Between November 21, 2000 and April 18, 2001, BAE carried out Phase 1 of its Contract with the Port Commission; and

WHEREAS, On April 18, 2001, by its Resolution No. 01-30, the Port Commission awarded an Exclusive Right to Negotiate ("ERN") to the project developer, The Mills Corporation, ("Mills"), conditional upon Mills satisfying certain conditions; and

WHEREAS, On June 13, 2001, the Port Director executed an Exclusive Right to Negotiate with Mills; and

WHEREAS, Between April 18, 2001 and March 29, 2002, BAE assisted Port staff by carrying out tasks under Phase 2 of its Contract, primarily associated with assisting the Port staff in negotiating a Development Memorandum between the Port and Mills, which Development Memorandum is the basis for negotiation of the Lease, Lease Disposition and Development Agreement and related agreements; and

WHEREAS, On November 26, 2001, the Executive Director signed a First Amendment to the Contract with BAE to increase the contract budget by $25,000 for additional consultant services during the negotiations of the Development Memorandum; and

WHEREAS, On March 29, 2002, the Executive Director signed the non-binding Development Memorandum between the Port and Mills; and

WHEREAS, The Port staff will shortly commence negotiations toward a draft of the Lease, and related agreements with Mills, during which it will require the services of BAE to provide further work under Phase 2 of its Contract; therefore, now be it

RESOLVED, That the Port Commission hereby authorizes to increase BAE's contract amount by $50,000, for a total authorized contract amount of $155,000; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director of the Port, or his designee, to execute a Second Amendment to the contract with BAE, Inc. for consultant services not to exceed $30,000; and if services are eventually required beyond that amount, to authorize the Executive Director to make that determination and execute a Third Amendment to the Contract for an amount not to exceed $20,000.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 11, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 4, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Amendment to Port Commission Resolution No. 03-03, Emergency Contract with Titan Maritime, LLC, from original amount of $1,026,450 to $1,182,000 .

DIRECTOR'S RECOMMENDATION: Approval of amendment to Port Commission Resolution No. 03-03, authorizing revised amount of $1,182,000 for emergency contract with Titan Maritime, LLC, to perform salvage operations to recover Drydock #1.

BACKGROUND:

On the night of November 7, 2002, in the height of a significant Pacific storm, Drydock # 1, a 650' long steel drydock, broke loose from thirteen moorings at Pier 70 and drifted until it ran aground at Yerba Buena Island. There were no reported injuries or discharge of pollution, but the drydock sustained substantial damage to its hull and was at risk of sinking. With the assistance of tugboats, the drydock remained temporarily secured at Yerba Buena Island..

On November 12, 2002, Port Commission President Michael Hardeman declared that an actual emergency existed with regards to Drydock #1. Immediately after the drydock ran aground, Port staff, in concert with the U.S. Coast Guard, developed a salvage plan that entailed the hiring of a profession salvage company, Titan Maritime, LLC, to refloat and remove Drydock #1 from Yerba Buena. This contract was entered into on the basis of President Hardeman's emergency declaration and pursuant to section 6.60 of the San Francisco Administrative Code. On December 8 2002, Titan Maritime completed temporary repairs, refloated the drydock and successfully moved from Yerba Buena to the Port at Pier 96. On December 22, 2002, Drydock #1 was shifted into San Francisco Drydock's Drydock #2, as safe harbor, and Titan Maritime was released from further emergency work under the contract and commenced demobilization. On January 6, 2003, Titan Maritime completed their demobilization , which under the contract terms, was defined as return of all their equipment to their yard in Ft. Lauderdale, FL.

This Print Covers Calendar Item No. **4B**

On January 14' 2003, Port staff sought approval of the Titan Maritime emergency contract at the first available Port Commission meeting, based on a cost estimate of $1,026,450 received at that time from the contractor. at its meeting on January 14, 2003, the Port Commission adopted Resolution No. 03-03, approving the Port's emergency contract with Titan Maritime, LLC, for the amount of $1,026,450. Thereafter, however, Titan submitted actual invoices for third party vendors for an additional $145,550 beyond their original estimated contract cost of $1,172,000. These third party invoices include services provided by tugboats, pilots, additional divers and materials that were not accurately shown in the contract cost estimate presented to the Commission on January 14, 2002. In addition, staff anticipates the possibility of further reasonable costs of $10,000 for incidental expenses and/or interest in connection with the emergency contract, for a total estimated contract cost not to exceed $1,182,000. Staff has reviewed the additional invoices from the contractor and found them to be reasonable and consistent with the operations and contract .

CONCLUSION:

Based upon the emergency declaration issued on November 12, 2002, and the additional reasonable charges submitted by the contractor, staff recommends that Port Commission amend its Resolution No. 03-03, by authorizing and ratifying the Port's emergency contract with Titan Maritime, LLC, in the revised amount not to exceed $1,182,000.

Prepared by: John Davey
Maritime Deputy Director

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-11

WHEREAS, On January 14, 2003, the San Francisco Port commission adopted Resolution No. 03-03 for the emergency contract with Titan Maritime, LLC. to perform salvage operations to recover Drydock #1 and transport it to a safe harbor at the Port for the amount of $1,026,450; and

WHEREAS, Resolution No. 03-03 was based on estimates of cost provided by the Titan Maritime and known to Port staff on that date; and,

WHEREAS, Subsequent to January 14, 2003, Titan Maritime LLC submitted to Port staff actual invoices from third party vendors that performed services under the emergency contract and which exceed the earlier cost estimate by $145,550; and

WHEREAS Port Staff has reviewed these additional invoices and found them to be reasonable and consistent with the operation and contract services, and staff anticipates the possibility of further reasonable costs of $10,000 for incidental expenses and/or interest in connection with the emergency contract; now therefore, be it

RESOLVED, That the Port Commission amends its prior Resolution No. 03-03, by hereby authorizing and ratifying the Port's emergency contract with Titan Maritime, LLC, in the revised amount not to exceed $1,182,000; and be it further.

RESOLVED, That the Port Commission hereby authorizes the Executive Director to seek approval of the Board of Supervisors of said emergency contract with Titan Maritime, LLC.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 11, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 5, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Approve the Port Director's execution of the emergency contract with San Francisco Drydock Inc. and authorize the Director to seek the approval of Board of Supervisors.

DIRECTOR'S RECOMMENDATION: Approve the execution of an emergency contract with San Francisco Drydock, Inc. in an amount not to exceed $500,000 for inspection and repairs to Drydock #1.

BACKGROUND:

On the night of November 7th, in the height of a significant Pacific storm, Drydock # 1, a 650' long steel drydock, broke loose from thirteen moorings at Pier 70 and drifted until it ran aground at Yerba Buena Island. There were no reported injuries or discharges of pollution, but the drydock sustained substantial damage to its hull and was at risk of sinking. With the assistance of tugboats, the drydock remained temporarily secured at Yerba Buena Island.

On November 12, 2002, Port Commission President Michael Hardeman declared that an actual emergency existed with regards to Drydock #1, p ermitting the Port to enter into emergency contracts for expeditious recovery of the drydock. Immediately after the drydock ran aground, Port staff, in concert with the U.S. Coast Guard, developed a salvage plan that entailed the hiring of a professional salvage company, Titan Maritime, LLC, to refloat and move Drydock #1 from Yerba Buena. On December 8, 2002, Titan Maritime extracted Drydock #1 from Yerba Buena Island and transported it to Pier 96. While at Pier 96, however, the drydock remained at risk of sinking due to severe hull damage. In consultation with marine salvage experts, the Port staff determined that additional repairs to the hull were required to stabilize the drydock, and this work would be best accomplished while dry-docked.

This Print Covers Calendar Item No. 4C

Acting under the emergency declaration of November 12, 2002, on December 20, 2002, the Port executed a contract with San Francisco Drydock Inc. to perform emergency repairs recommended by the Port's salvage contractor Titan Maritime, for an amount not to exceed $500,000. The scope of work included moving Drydock #1 into drydock #2 and performing inspection and repairs, removal of catwalks, outriggers, end pontoon sections and making repairs and modifications as required to insure its stability while afloat and preparations for towing the drydock. On December 22, 2002, San Francisco Drydock, Inc. transported the drydock into its drydock facility and effected repairs to the hull, removed the catwalks, outriggers, and debris. On January 3, 2003, Drydock #1 was refloated and shifted to a safe berth under 24 hour watch at San Francisco Drydock's Pier 4. San Francisco Drydock has submitted an invoice for work completed from December 22, 2002 through January 3, 2003 for the amount of $240,835.

At this date the Port is evaluating the various options for final disposal of Drydock #1. Further steps to dispose of or demolish the drydock may require additional work at San Francisco Drydock, specifically, but not limited to, removal of the pontoon sections and further dry-docking for inspection and preparations for towing. Therefore the expenditure of the remaining balance of the $500,000 contract amount may be required as part of the Port's disposal efforts.

CONCLUSION:

Based upon the emergency declaration issued on November 12, 2002, concerning Drydock #1, and the continuing need to abate the perils presented by the damaged drydock, Staff recommends approval of the emergency contract with San Francisco Drydock, Inc., in an amount not-to-exceed $500,000, for the scope of work described above, and seeks authorization to seek approval of the Board of Supervisors for the contract.

Prepared by: John Davey
Maritime Deputy Director

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-06

WHEREAS, On November 12, 2002, Port Commission President Michael Hardeman declared that an actual emergency existed with regard to Drydock #1 when the Drydock ran aground at Yerba Buena Island during a high wind storm, after it broke loose from its berth and caused damage by pulling two large bollards off the pier; and

WHEREAS, Pursuant to that emergency declaration, the Port entered into an emergency contract with Titan Maritime, Inc. to perform salvage operations to recover Drydock #1 and transport it to a safe harbor at the Port; and

WHEREAS, After Drydock #1 was moved to the Port, it remained at risk of sinking due to severe damage to its hull, and therefore presented a continuing peril to the Port's operations, necessitating further emergency action; and

WHEREAS, On December 20, 2002, the Port entered into an emergency contract in an amount not to exceed $500,000, with San Francisco Dry Dock, Inc. at Pier 70 to transfer Dry Dock #1 into its dry dock #2, for inspection and emergency repairs, removal of outriggers and catwalks, work required to separate end pontoon sections and other work required to insure its stability once a float and for towing; and,

WHEREAS, On December 22, 2002, Drydock #1 was shifted into San Francisco Dry Docks' drydock #2 and further emergency work commenced, and

WHEREAS, January 3, 2003, San Francisco Dry Dock, Inc, completed a scope of work under the emergency contract, which included an assessment of hull damage and general inspections as to seaworthiness, hardening and improving the temporary repairs executed by Titan Maritime while the drydock was aground by replacing wooden and plastic components with metal plating, retracting the outrigger-aprons onto the main deck of Drydock #1 to improve tow characteristics, removing exterior cat walks, refloating Dry Dock #1, and berthing the drydock in a safe, wind protected berth, at a berthing cost of $300 per day, and

WHEREAS, On January 3, 2003, San Francisco Drydock submitted invoices totaling $240,835 for completion of this scope of work pending further direction from the Port for removal of pontoon sections and work to prepare Dry Dock #1 for towing; and

WHEREAS, Staff expects that further work will be required to prepare Drydock #1 for final disposal or demolition, including, but not limited to, removal of pontoon sections and further dry-docking for inspection and preparations for towing at an estimated cost of $240,000, thereby requiring expenditure of the remaining contract amount; and

WHEREAS, Pursuant to Administrative Code Section 6.60, the Port previously notified the Controller and the Board of Supervisors of the existence of the emergency and the need for the emergency contract with San Francisco Drydock, Inc., and must now seek Board approval of the contract as it exceeded $250,000; and, now therefore, be it

RESOLVED, The Port Commission hereby approves the Port Director's execution of the emergency contract with San Francisco Drydock, Inc. in an amount not to exceed $500,000, and authorizes the Director to seek approval from the Board of Supervisors.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 11, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 5, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Approve Memorandum of Agreement with Boudin Properties, Inc. allowing for the temporary cessation of full-service restaurant use and authorizing temporary retail sales use in a portion of the premises located at 160 Jefferson Street.

DIRECTOR'S RECOMMENDATION: APPROVE MEMORANDUM OF AGREEMENT WITH BOUDIN PROPERTIES, INC.

BACKGROUND

On October 8, 2002, the Port Commission approved the assignment of Lease No. L-7495 ("Lease") affecting the property at 160 Jefferson Street by Alioto Fish Company, Ltd. to Boudin Properties, Inc. ("Boudin") (Port Commission Resolution No. 02-47).

Boudin also controls a small parking lot adjacent to the 160 Jefferson street premises via a month to month lease (Port Lease No. 13554). Parking revenues are subject to a percentage rent of 30% and are offset by both the restaurant (L-7495) and Parking lot (13554) minimum rents.

Boudin enjoys use of the sidewalk pursuant to Encroachment Agreement No. E – 13555. Sales generated from the sidewalk area are reported as sales from the restaurant.

Immediately after the assignment Boudin approached the Port with a plan for the redevelopment of the 160 Jefferson Street property as a world market, demonstration bakery and restaurant/café. It is Boudin's hope to secure all needed reviews and approvals in time to permit a late 2003 demolition of the existing Expo Restaurant/Boudin Bakery building and to be open for business in a new facility by summer of 2004.

This Print Covers Calendar Item No. **5A**

As a result of Boudin's due diligence investigations of the Expo Restaurant prior to the assignment, Boudin determined that to completely remodel the Expo Restaurant kitchen and dining room in order to run a first class restaurant at this location. The estimated cost of such a work is between $300,000 and $400,000. Because of Boudin's plans for the demolition of the building, Boudin concluded that it could not justify the expense. However, the current condition of the restaurant would not allow Boudin to continue its operation in a manner consistent with the Lease, which requires that the premises be used at all times as a restaurant.

Boudin now seeks Port Commission approval to cease operations in the Expo Restaurant space and to convert that space to general retail sales on a temporary basis. Port staff and Boudin have negotiated the terms of a Memorandum of Agreement (MOA) that will permit the temporary closure of the Expo Restaurant and the Port will agree to waive certain rights to call Boudin in default of the terms of the Lease during the closure. The salient terms and conditions of the MOA are as follows:

1. Boudin may cease operations in the Expo Restaurant space.

2. At Boudin's election, the Boudin's Bakery operation adjacent to the Expo Restaurant may be expanded into a portion of the former Expo Restaurant space.

3. Boudin may sublet the remaining Expo Restaurant space to other retail users as may be reasonably approved by the Port Executive Director or his nominee. The sublease term may not extend beyond December 31, 2003. The sublessee's use may not be inconsistent with the unique character of Fisherman's Wharf.

4. Boudin may use that portion of the sidewalk on Jefferson Street affected by Sidewalk Encroachment Permit No. E- 13555 for customer seating and service related to the Boudin Bakery/Café operation in the Building.

5. Boudin will be permitted to offset from percentage rent, only that portion of the Base Rent attributable to the space occupied by the Boudin's Bakery/Café Operation.

6. Boudin will increase the percentage rent attributable to parking revenues from 30% to 40% of gross revenues after deducting parking taxes actually paid.

7. Any sublease profits from the space sublet will be payable to the Port.

8. So long as Boudin is in compliance with all the terms and conditions of the lease and the MOA, the Port will forgo its right to put Boudin in default of its obligation to continuously run a restaurant in the former Expo Restaurant space.

9. The term of the MOA will expire on the earlier of the effective date of an amendment to lease approved by the Port Commission and the Board of Supervisors (if required) allowing for the demolition of the building at 160 Jefferson Street and construction of a new

bakery/restaurant or March 31, 2004. If Boudin has not obtained a lease amendment by March 31, 2004, it must resume full restaurant operation in accordance with the Lease by June 1, 2004.

10. The effective date of the Memorandum of Agreement will be retroactive to the date of the assignment of Lease No. L-7495 to Boudin, December 3, 2002.

ANALYSIS: Boudin is moving forward with its plans for the construction of a new world market/demonstration bakery/restaurant/café. Boudin's efforts are being coordinated with the Port Real Estate, Engineering and Planning staffs.

Boudin is also coordinating its efforts with the Port/BCDC development of the Fisherman's Wharf Special Area Plan. Given this level of focus, Port staff is confident that Boudin should be able to achieve its goal of a rapid development program.

RECOMMENDATION: Port staff recommends approval of the Memorandum of Agreement.

Prepared by: Nicolas Dempsey, Asset Manager, Real Estate

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-09

WHEREAS, Charter Section B 3.581 of the Chapter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of the City and County of San Francisco; and

WHEREAS, Under Charter Section B 3.581(g), leases granted and made by the Port should be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, On October 8, 2002, the Port Commission approved the assignment of Port Lease No. L-7495 (the "lease") for property more commonly known as 160 Jefferson Street, San Francisco, California from Alioto Fish Company, Ltd. to Boudin Properties, Inc; and

WHEREAS, Section 6 of the Lease requires that the premises be used for a restaurant and related uses during the term, and

WHEREAS, Section 9 of the Lease requires Port consent to changes in permitted use

WHEREAS, Boudin Properties, Inc. has proposed to cease operations of the restaurant, pending the proposed demolition and redevelopment of the property controlled by Port Lease No. L-7495; and

WHEREAS, Boudin Properties, Inc. proposes using a portion of the premises for retail uses on an interim basis.

WHEREAS, Port staff and Boudin Properties, Inc. have negotiated the terms of a Memorandum of Agreement permitting the cessation of such restaurant operations and the interim retail use, a copy of which Memorandum of Agreement is on file with the Port Commission secretary; and NOW THEREFORE, BE IT

RESOLVED that the Port Commission approves the use of a portion of the premises for retail use on an interim basis, and be it further

RESOLVED that the Port Commission authorizes and directs the Executive Director to allow the temporary cessation of restaurant operations in a portion of the Premises, consistent with the terms set forth in that certain Memorandum of Agreement dated as of December 3, 2002, a copy of which is on file with the Port Commission Secretary for this calendar item; and be it further

RESOLVED that the Port Commission hereby approves the use of a portion of the Premises for retail use, further subject to approval of the specific user by the Executive Director in forbear enforcement of consistent with the business terms set forth in the Memorandum of Agreement dated as of December 3, 2002, a copy of which is on file with the Port Commission Secretary for this calendar item; and be further

RESOLVED, that the San Francisco Port Commission hereby approves the Executive Director or his designee to enter into the Memorandum of Agreement and such further modifications to said Memorandum of Agreement, all consistent with the business terms set forth in the memorandum to the San Francisco Port Commission for Agenda item 5A for the Port Commission meeting of February 11, 2003.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 11, 2003.

_____
Secretary

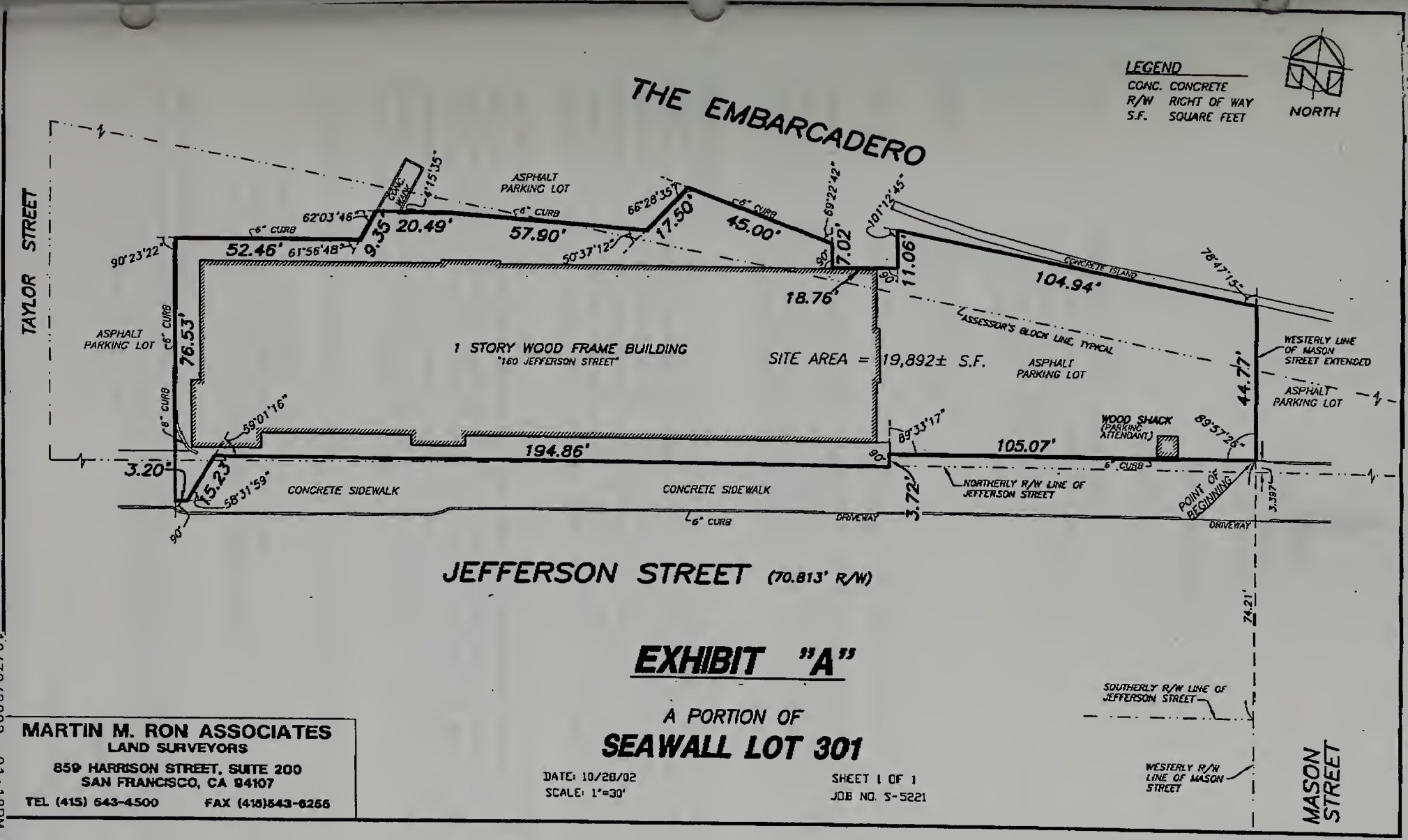

EXHIBIT "A"

A PORTION OF

SEAWALL LOT 301

DATE: 10/28/02
SCALE: 1"=30'

SHEET 1 OF 1
JOB NO. S-5221

MARTIN M. RON ASSOCIATES
LAND SURVEYORS
859 HARRISON STREET, SUITE 200
SAN FRANCISCO, CA 94107
TEL (415) 543-4500 FAX (415)543-6255

10/30/2002 01:18PM
OCT. 30. 2002 2:18PM MARTIN M RON ASSOC. NO. 2460 P. 3

PORT OF SAN FRANCISCO

MEMORANDUM

February 5, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Request for Approval of Reallocation of Previously Appropriated Capital Project Funds.

DIRECTOR'S RECOMMENDATION: APPROVE THE REALLOCATION OF $12,015,000 OF PREVIOUSLY APPROPRIATED CAPITAL PROJECT FUNDS AND AUTHORIZE THE EXECUTIVE DIRECTOR TO SEEK APPROVALS FROM THE MAYOR, THE CONTROLLER AND THE BOARD OF SUPERVISORS, AS APPROPRIATE OR REQUIRED.

BACKGROUND:
The Port's Finance department has determined that there is no operating surplus funds from FY 2001/02 to fund new capital projects. Port staff have identified various critical and urgent needs which warrant an immediate allocation of funds during FY 2002/03. Such needs include the emergency response, recovery and disposal of Drydock #1 and the removal of contaminated soil from Pier 92. The Port also needs to continue funding of the capital project account required by the San Francisco Waterfront Special Area Plan, required infrastructure repairs and maintenance dredging. Currently identified needs total $14,435,000.

Port staff has reviewed the Port Capital Plan and assessed the status of all previously funded capital projects. In order to pay for on-going projects and the newly identified funding requirements, the Port must reallocate funds from existing authorized capital projects. Port staff has identified $12,015,000 available for reallocation. The remaining $2,420,000 would be funded from the operating reserve funds. Port staff has determined the exact re-allocation as shown in the attached Appendix I. After this reallocation, uncompleted projects that remain necessary will be retained in the Capital Plan as "Approved and Unfunded." Residual amounts from completed or abandoned projects will be closed out.

Port staff therefore requests approval of reallocation of available capital funds as summarized below:

Identified critical funding needs	$14,435,000
Less funds available for pending re-allocation	12,015,000
Amount to be funded from Operating Reserve, as required	$2,420,000

RECOMMENDATION:
Port staff recommends that the Port Commission approve the request to reallocate Capital Project Funds and direct the Port Executive Director to request approvals from the Mayor, the Controller and/or the Board of Supervisors, as appropriate or required.

Prepared by: Chudi Chuba

This Print Covers Calendar Item No. **6A**

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-08

WHEREAS, Several new capital projects, including the Drydock #1 Emergency Response and Disposal, and the Remediation of Contaminated Soil at Pier 92, have arisen during the first half of FY 2002/03, which Port staff have identified as urgent needs which require or warrant allocation of funding during FY 2002/03; and

WHEREAS, Funds in the previously approved Pier Repair capital project are nearly exhausted as a result of numerous urgent Pier repair projects identified and funded in FY 2001/02; and

WHEREAS, Port staff has identified additional repairs to the Port deteriorated piers that are needed to support Port operations and new business opportunities; and

WHEREAS, These additional repairs require the allocation of additional funding to the Port's Pier Repair capital project; and

WHEREAS, Port staff has identified capital project priorities for FY 2003/04 including the annual funding for the Special Area Plan, and funding for repair of the aprons at Pier 48; and

WHEREAS, Port staff has determined that Port operations in FY 2001/02 generated no cash surplus from which to fund these capital needs; and

WHEREAS, The allocation of additional funds is required to cover all of the new urgent capital project needs, capital projects priorities for FY 2003/04, and additional funding needed for the Port's Pier Repair capital project; and

WHEREAS, Port staff has recommended that this additional funding be obtained through the re-allocation of previously appropriated capital projects; and

WHEREAS, Port staff has determined the exact re-allocation as shown in the attached Appendix I; now, therefore, be it

RESOLVED, That the Port Commission hereby approves the reallocation of $12,015,000 of previously appropriated capital project funds and authorizes the Executive Director to seek approval from the Mayor, the Controller and the Board of Supervisors as may be required to accomplish the reallocation consistent with the memorandum to the San Francisco Port Commission for Agenda Item No. 6A for its February 11, 2003 regular meeting.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 11, 2003.

_____
Secretary

Appendix I

Projects to be Partially De-Funded

CPO No.	Project	Previously Approved Funding	Amount to be De-Funded
CPO647	Pier 48/50 Maintenance Reloc.	6,885,050	954,585
CPO669-01	Planning Hyde St. Harbor	1,367,340	8,442
CPO670-03	Downtown Ferry Terminal East Prom	675,754	110,408
CPO675-04	Pier 80 & 94/96 Crane Cab Modifications	75,000	23,000
CPO680	Port ADA Transition Plan	600,000	136,549
CPO682	Pier 52 Public Boat Ramp	1,191,126	572,215
CPO708	Pier 28 Roof Replacement	331,000	155,572
CPO717-02	Pier 45C Development Design	4,450,000	2,317,352
CPO722-02	S. Waterfront Sewer Pump Repl.	345,344	200,000
CPO724	Jones to Hyde St. Sidewalk	250,000	200,000
CPO738	Pier 94 Wetlands Mitigation	71,723	250,000
CPO751	Pier 35 South Fender Replacement	300,000	216,249
	Subtotal	16,542,337	5,144,372

Projects to be Fully De-Funded

CPO No.	Project	Amount to be De-Funded
CPO530	Portable Fendering System	552
CPO533	China Basin ferry terminal	7,436
CPO627	Port Oracle RDBMS	4,660
CPO639	Ferry Building Shear Wall	137,744
CPO642	Maintenance Relocation	31,090
CPO643	Income Property Improvement	79,959
CPO650	Marginal Wharf Project	14,844
CPO662	Bulkhead Façade Painting	216
CPO663	Dredged Material Upland Rehandle Site	411,000
CPO672	Asbestos Removal	31
CPO673	Embarcadero Terminus Imprv.	1,670
CPO676	Piers 3, 29 & 31 Parapet Flashing	50,000
CPO677	Roundhouse Plaza Ada Compliance	92
CPO684	China Basin Ferry Terminal(ACP)	169,567
CPO690	Grotto #9 Replace Sewer Main	1,137
CPO696	Pier 1 Furniture, Fixtures, & Equp.	229
CPO707	Ag. Building Fire Escape & Corridor	53,029
CPO714	Mid-Embarcadero Stormwater	150,000
GPO628	Ferry Building Reception	622
CPO213	Groundwater Monitoring	108,656
CPO215	Ferry Building – Asbestos	106,146
CPO222	Underground Storage Tank	163
CPO231	Removal of Lead Contamination	132,639
CPO631	Ferry Building Renovation	1
CPO641	Hyde St. Harbor	158,110
	Subtotal carried forward to next page	1,619,593

Appendix I (cont)

Projects to be Fully De-Funded (cont)

CPO No	Project	Amt to be De-Funded	
Subtotal from previous page		1,619,593	
CPO644	Pier 47A and Float	1,991	
CPO649	Information Systems (Port)	2,272	
CPO655	Fisherman's Wharf Improvements	32,491	
CPO669	Hyde Street Harbor	27,058	
CPO670-01	Downtown Ferry Terminal	313,566	
CPO675-01	Pier 80 Fender Repair	207,523	
CPO675-02	Pier 80 Back-up Portable Elec. Generator	60,000	
CPO675-03	Pier 80 Crane Boom Anti-Collision Devices	87,036	
CPO675-05	Pier 80 Gate Improvements	124,359	
CPO685	Fish Alley Sewer Pump Station Conv.	110,200	
CPO686	Pier 43 Arch	52,046	
CPO688-01	China Basin Park Shoreline Stabilization	107,769	
CPO693	Emergency Seawall Repair	100,252	
CPO703	Pier 35 Improvements	33,427	
CPO706	Pier 9 Water Main	41,542	
CPO709	Replace Water Main Pier 26	216,150	
CPO710	Pier 24/26/28 Electrical Transformer	225,470	
CPO711	Pier 50 Sprinklers-Add'l Funding	64,382	
CPO712	Bike Lanes - Terry Francois Blvd.	270	
CPO713	Pier 43 Arch Substructure	31,705	
CPO718	Wafum Lathe	445	
CPO719	Oreba Lathe	54	
CPO720-01	Pier 80/92/96 Track Maint.	25,214	
CPO722-01	N. Waterfront Sewer Pump Repl.	108,977	
CPO729	Conditions Survey	216,324	
CPO732	Pier 38 Sub Structure Repair	4,133	
CPO733	Taylor Street Roadway Improvement	212,000	
CPO735	Pier 28 Water Main Upgrade	283,550	
CPO736	Pier 45 Drainage Design	300,000	
CPO737	Crane Relocation	932,450	
CPO742	Harbor Office	300,000	
CPO743	Pier 70 Seismic Repair	45	
CPO744	Roundhouse HVAC	117,963	
CPO745	Pier 45 Sprinkler Design	100,000	
CPO746	Fish Prep Bldg Relocation	391,906	
CPO752	Amador St Forced Sewer Main	325,600	
CPO804	Pier 94 Repairs	15,176	
CPO813	Conditions Survey	851	
CPO911	Land Use Planning	76,055	
	Subtotal		6,869,845

Total Funds Provided by De-Funding Existing Projects $12,014,217

Appendix I (cont)

Projects whose existing funding which will be consolidated into new projects.

CPO No.	Project	Remaining Funding
CPO529	Scoma's Seawall Repair	300,000
CPO803	Jefferson St. Seawall	14,733
CPO806	Fisherman's Wharf Breakwater	51,112
CPO812	Pier 45 Eat Apron Repair	2,082
	Subtotal	367,927

Projects created by consolidating $367,927 of project funding (above) with $ 1,193,073 in additional funds from de-funded projects.

Project	Funding	
Seawall & Marginal Wharf Repair Project	375,000	
Building Superstructure Repair Project	200,000	
Fire Sprinkler Project	300,000	
Roof Repair Project	331,000	
Environment Assessment Remediation Project	155,000	
Utilities Project	200,000	
	1,561,000	
Less: Existing Funding (from above)	(367,927)	
Subtotal		1,193,073

Additional Funding for Existing Projects

Project		Additional Funding	
CPO741	Pier Repair	1,300,000	
CPO725	Special Area Plan	2,160,256	
CPO625	Maintenance Dredging	2,250,000	
CPO727	Materials Testing	350,000	
	Other	271,995	
	Subtotal		6,332,251

New Projects

Project	Funding	
Remediation of Contaminated Soils	1,510,000	
Emergency Response & Stabilization of Drydock #1	2,000,000	
Amador Street Roadway Project	500,000	
Pier 70 PCB Remediation	100,000	
Subtotal		4,110,000

Total Capital Project Funding to be Provided	**$11,635,324**
Estimated Final Costs of Drydock #1	$1,300,000
Estimated Requirements for Claims and Judgements	$1,500,000
Total Funding Requirements	**$14,435,324**

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

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MINUTES OF THE REGULAR MEETING
FEBRUARY 11, 2003

1. ROLL CALL

Commission President Michael Hardeman called the meeting to order at 4:08 p.m. The following Commissioners were present: Michael Hardeman, Kimberly Brandon, Denise McCarthy and Brian McWilliams.

2. APPROVAL OF MINUTES - January 28, 2003 Regular Meeting

ACTION: Commissioner Brandon moved approval; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor; the minutes of the January 28, 2003 meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report

- Rincon Park Grand Opening Ceremony on February 13, 2003 @ 11:30 a.m.
  Mr. Wong reported that as a result of years of community planning, hard work between agencies, and the Commission's direction, the opening of the Rincon Park is scheduled on February 13th at 11:30 a.m. Rincon Park is San Francisco's newest two-acre park and open space on the waterfront. Mayor Willie Brown, members of the San Francisco Redevelopment Agency, representatives from GAP and various other City officials will be participating in the opening of the park located at the foot of Folsom Street on the Embarcadero.

- Recognizing Sylvia Kwan for her service on the Waterfront Design Advisory Committee. Mr. Dan Hodapp, Planning & Development, indicated that the design quality of the Port's major development projects are reviewed by the Waterfront Design Advisory Committee, the committee that advises the Commission on urban design, architecture and public space design issues along the waterfront. The Committee was formed following adoption of the Waterfront Land Use Plan on agreements reached with the City Planning department on how Port projects would be reviewed. When this committee was formed, it changed some of the regulations criteria that removed conditional use requirements for the projects enabling an efficient permit process and enabling Port staff to have an input in the design quality of the projects. The committee is comprised of five members. The Port's Executive Director appoints two members; the City Planning Director appoints two and the Mayor appoints one. Ms. Kwan was the Port's appointee to the Committee for the past four years and has chosen to step down due to her numerous civic commitments. In recognition for her service, Mr. Hodapp presented Ms. Kwan a proclamation. He noted

that Ms. Kwan is a founding member of the Waterfront Design Advisory Committee. The Port has had a string of very important projects including Pier 1, Piers 1-½, 3 & 5 historic renovation project, the Ferry Building, the cruise terminal and the Broadway Hotel and having quality architecture review and advice is very important. Ms. Kwan has unselfishly dedicated herself to the betterment of the design of projects for the people of California and residents of San Francisco. Most of all, the committee and Port staff will miss the fantastic advice and architectural direction Ms. Kwan has provided the Port and the way she was able to unlock horns during controversial times. Mr. Hodapp thanked Ms. Kwan for her contributions to improving the design quality of the waterfront and the generous contribution of her time.

Ms. Kwan thanked the Port and wished them continued success. As a charter member, she was proud to be able to contribute to some of the discussions. When the deal was finally made between BCDC and the Port Commission, they were able to unleash their string of pearls, i.e. the projects that they saw in planning for the past four years. All the time and hours she put in was for the betterment of the urban waterfront. Her colleagues will continue to serve the Commission well and wished the Commission the best of luck as they continue to get the projects built.

Executive Director Wong indicated that Amy Coburn will replace Ms. Kwan on the Design Advisory Committee. Ms. Coburn is an architect and Associate Vice President with Catellus Development. Her experience includes:

1) Architectural review for Catellus on all aspects of the Mission Bay project;
2) Oversee design of all public streets, parks and other public spaces in Mission Bay;
3) 13 years of private sector architectural design with major firms including project management for the San Francisco Airport International Airport; and
4) Holds a master's degree in architecture from Harvard University.

B. Informational Presentation: Water Transit Authority's Implementation and Operations Plan for Expanded Ferry Transit.

Veronica Sanchez, Manager of Community Relations and Governmental Relations for the Water Transit Authority, provided the Commission a brief status report of their recommendation for enhancing ferry service in San Francisco Bay. In 1999, the State of California formed the Water Transit Authority (WTA), a regional agency mandated to create a plan for new and expanded water-transit and related services in San Francisco bay. The Plan is subject to review and approval by the California Legislature. The Governor appointed the board director and the State Legislature appointed other members of the board. Marina Secchitano is representing the Inland Boatmen's Union on the board. The goals of the Water Transit Authorities Plan are:

- Follow the State's direction to develop a reliable, convenient, flexible and cost-effective expanded Bay Area water transit system that will get drivers out of their cars and onto environmentally responsible state-of-the-art passenger ferries.
- Launch new vessels within three years of funding that are ten times cleaner than existing ferries and 85% better than the EPA's emissions standards for 2007 marine engines.

- Add as many as 31 new passenger ferries to the existing fleet over the next ten years while the WTA works to develop zero-emissions technology as quickly as possible. Seven new routes are planned plus more boats on existing ferry systems. This would triple ferry patronage. By the year 2025, if the plan is fully funded, they predict that there would approximately be 8 million more commuters per year to the system.
- Provide convenient ground connections.
- Coordinate safety and disaster response in emergency situations.
- Supports smart land use planning. Emphasis was placed on sites next to office and commercial complexes.

The agency is looking at adding new routes in San Mateo County, South San Francisco, Redwood City, Treasure Island, Alameda Country, Albany, Berkeley, Richmond, Hercules, Rodeo, Martinez and Antioch. They are also looking at expanding service on existing routes. Because of the existing terminals, they would look at services to Jack London Square, also into Alameda Point at the new proposed Alameda Air Station Re-use Project, and Vallejo. Vallejo is one of the most successful services in the bay today and continuing to grow. Additional study is needed to the East Bay, Hunters Point, and Moffett Field areas. The Draft Implementation and Operations Plan was submitted to the State Legislature in December. This plan, if approved, will provide the agency the authority to implement and bring the new ferry system on line within the next ten years.

Some of the comprehensive technical studies they have done are: (1) ridership - the agency looked at where the ferry rider is coming from. MTC commented that the ridership model is the best tool to predict ferry ridership in the bay today. (2) terminal and intermodal connections; (3) new fuels and propulsion technologies - they tested and analyzed 39 different fuels and technologies, from bio-diesel to water blended fuel such as PuriNox and the different types of propulsion systems that were suggested; (4) Safety and disaster response; (5) Programmatic EIR - they are currently in the process of responding and analyzing public comments that were submitted and will be amending the EIR; (6) Wake, air emission testing - they looked at how they can minimize the wake in sensitive areas. So far, they are the only agency who has performed air emissions testing on ferries to assess the level of emissions; (7) Finance – cost-effectiveness, financial plan - they looked at cost effectiveness in relation to investing monies on ferries rather than investing on the bus, rail or train system. MTC reviewed their plan and agreed with WTA's ridership projections and findings that the investment in new routes proposed in the WTA Plan is cost-effective. The expanded water transit will cost $646 million over ten years. The capital cost for vessels and terminals would be $396 million. The annual operating cost would be $3 million in year one to $46 million in year ten. Approximately 25% of the WTA's operating costs support landside transit connections. The system will be funded through a portion of the proposed toll increase on State-owned bridges, Federal Ferryboat Discretionary Fund, a portion of new and extended county sales tax transportation funds, transit impact fees and farebox revenues. They have requested from Senator Perata, the author of the legislation, $20 million for the Downtown Ferry Terminal facilities for the Port of San Francisco. The request is to have those funds available by the year 2007 which would allow them to kickstart the next phase of enhancements of the ferry facilities and to prepare for the increased volume in passengers as well as changes in vessel configuration. The legislation would be an advisory measure that will go to the voters for approval in the Presidential Primary in 2004. The San Francisco sales tax reauthorization is important

because this money will fund the toll funds. Staff has put forward a request to the San Francisco Transportation Authority for a $65 million of county sales tax money for ferry terminal facilities to match the $20 million. Senator Burton is co-sponsoring the bills and they are asking for Assemblyman Leno and Assemblyman Yee's support on these bills. Ms. Sanchez asked the Commission to support their efforts in advocating for funds for the Port's ferry facilities. The first step would be to pass a resolution of support to use bridge toll monies for projects at the Ferry Building as well as resolution of support for use of sales tax dollars for this project. It would be helpful to get support letters to the congressional delegation asking for an increase of ferry monies and a set aside of those monies for the region. The Labor Union has been very helpful, particularly, the ILWU. It's important to show a strong local support.

Steve Castleberry, Assistant Planning Manager of the Water Transit Authority, talked about the ferry traffic change and ferry terminal challenges and opportunities. Today, the ferry traffic consists of 70 total vessel arrivals with 12 peak hour vessel arrivals. There are approximately 11,650 person trips per day with approximately 2000 people during peak hour. If their plan comes to fruition, in 2025, there will be approximately 280 vessel arrivals. The number of vessels during the peak hours will be tripled (approximately 39 vessel arrivals). There will be three times as many people total and 2-½ times as many people during the peak hour. With all the additional people, there will be room for them to move up and down the shoreline and go from one terminal to the other to transfer between vessels while still maintaining the shoreline access. They need to figure out how people will buy their tickets. They need to figure out how people will come and go; how they will get from Bart and Muni to the Ferry Building. They need to figure out where the passengers will wait. They need to talk about where the floats will be. They need to design the floats so they can turn the people around quickly. It is an opportunity for the Port to utilize the open space and existing space to provide amenities to the ferry riders. It is an opportunity to tie the Ferry Building into the other transportation systems that provide access to the city. They have some challenges and opportunities because of the changes, more people, and more boats. They want to ensure that funding is pursued to capitalize on the opportunities and challenges in a way that makes the Ferry Building work like the world-class facility that it can be.

Commissioner McWilliams asked what action should the Commission take that would facilitate funding. Ms. Sanchez replied that this an informational presentation. If the Commission would like to take an action item, they could request staff to calendar it for action at the next meeting in a form of a resolution supporting the request of toll dollars and sales tax dollars. Commissioner Hardeman directed the Executive Director to have the appropriate resolution at the next meeting.

Ms. Sanchez indicated that it would be great timing because both bills will get introduced February 21. The first hearing on the bill will be in at the end of March, early April. A resolution of support from the Commission would allow them to list the Port of San Francisco when it is presented to the Legislature.

Commissioner McWilliams inquired about the other Ports that are in support of this legislation. Ms. Sanchez replied that the Oakland Port voted to support it last week because of the funding they would get for additional service to Jack London Square, the

San Mateo Harbor District took a position, and the Port of Redwood City will act tomorrow.

Ms. Sanchez thanked Port staff for their assistance in this process: Nita Mizushima, Taline Sanassarian and looks forward to working with the Port.

4. CONSENT

A. Request for authorization to increase the contract amount with the consultant team led by Bay Area Economics, Inc. (BAE) for an additional $50,000, and to execute a second amendment of Real Estate Consulting Services for the Piers 27-31 Mixed Use Recreation Project for $30,000. (Resolution No. 03-10)

Commissioner Brandon asked what prompted the first amendment and what was not accomplished in the first amendment necessitating the second amendment to the contract.. Lynda Swanson, Planning & Development, replied that at the time Port staff selected BAE to assist in the professional consulting services, there were two phases of work: (1) to assist in reviewing responses to the RFP and (2) to carry staff through the negotiations of a lease and development agreement. The additional task was to assist in negotiations for the development memorandum which was not foreseen at the time staff undertook the contract with BAE. The Development Memorandum took about a year to negotiate and it will serve as the basis for all the final agreements that will be formally included in the lease and Development Agreement. It was a very complex document. The funds went for that task; what remains to be accomplished is to formally negotiate the lease and any remaining issues that staff stipulated to address when it wrote the Lease Disposition and Development Agreement.

Commissioner Brandon inquired if the $30,000 is coming from the developer. Ms. Swanson replied that staff is requesting a second amendment for $30,000. Staff is requesting the contract permit staff to ask the Executive Director to authorize a third amendment if the $30,000 is expended. The additional remaining funds would come from the Planning & Development Capital Funds. The contract is larger than the amount of money staff expects to expend in the second amendment.

ACTION: Commissioner Brandon moved approval; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor; Resolution No. 03-10 was adopted.

B. Request for approval of amendment to Port Commission Resolution 03-03, Emergency Contract with Titan Maritime, LLC from original amount of $1,026,450 to $1,182,000. (Resolution No. 03-11)

Commissioner McCarthy asked for clarification of the amount of the invoice for the repair of the drydock and the additional $10,000 that staff is requesting. Mr. Peter Dailey replied that the Port Commission approved the contract with Titan Maritime for the removal and recovery of the drydock at the amount to which we have invoices for in the earlier Commission meeting. The additional charges had to do with invoices that staff had not received at the time.

Commissioner McCarthy asked if we are limiting ourselves to looking to other resources for reimbursement for these expenses if we pay for the invoice. Mr. Dailey replied that in discussions with the City Attorney's office, we are not selling ourselves short in terms of other opportunities. The invoices represent the work that has been done and certified.

ACTION: Commissioner McCarthy moved approval to amend the resolution to approve the amount of the invoice ($10,000). Commissioner Brandon seconded the motion. Three of the Commissioners were in favor; Commissioner McWilliams cast the dissenting vote. Resolution No. 03-11 was adopted.

C. Request for approval of the Port Director's execution of the emergency contract with San Francisco Drydock Inc. and authorize the Director to seek the approval of Board of Supervisors. (Resolution No. 03-06)

Commissioner Brandon indicated that the actual invoice was for $240,835. She asked what the additional $259,000 was for. Mr. Dailey replied that at the time of the estimate of the work, the amount of the emergency contract for $500,000 was activated, the actual repairs only cost $240,000; the additional monies were for work that could have been needed in an emergency basis.

ACTION: Commissioner Brandon moved approval to amend the resolution to approve the emergency contract for $240,835; Commissioner McCarthy seconded the motion. Three of the Commissioners were in favor; Commissioner McWilliams cast the dissenting vote. Resolution No. 03-06 was adopted.

5. REAL ESTATE

A. Request for approval of a Memorandum of Agreement with Boudin Properties, Inc. allowing for the temporary cessation of full-service restaurant use and authorizing temporary retail sales use in a portion of the premises located at 160 Jefferson Street. (Resolution No. 03-09)

Mr. Nic Dempsey, Asset Manager, presented the item and indicated that the Commission was provided a revised resolution for their approval.

Commissioner Brandon asked for clarification of Item #5. Mr. Dempsey replied that right now they will still be operating the Boudin Restaurant and Bakery operations. There will still be retail sales generated in the facility but they will not be able to offset the entire facility rent against the percentage rent; only that portion actually attributable to the area.

Commissioner Brandon asked about the retail space and the type of retail they will. Mr. Dempsey replied that they will offer general retail sales of souvenirs and alike. Commissioner Brandon asked if the percentage rent and the base rent stays the same for the Expo. Mr. Dempsey replied to the affirmative; however, the proposal on the sublease would involve a 10% percentage rent.

ACTION: Commissioner Brandon moved approval of the resolution was amended; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor;

Resolution No. 03-09 was adopted.

6. ADMINISTRATIVE SERVICES

A. Request for approval of reallocation of previously appropriated Capital Project Funds. (Resolution No. 03-08)

Joel Robinson, Administrative Services Director, presented the item and requested Commission's approval. Staff has kept the Commission apprised of some of the unusual and emergency situations the Port was confronted with in the last five to six months. In seeking funding and thinking ways to address those issues, staff was put in a position that the only way to address the magnitude of those funding situations was to look to the existing capital fund pool and reallocate some of those projects that have been approved by the Commission and the Board of Supervisors. This is not a way that the Port hope to do business by going back and looking at past projects to fund ongoing or future problems but in this instance, staff simply does not have a choice to address these needs. For instance, the drydock necessitated staff to make the reallocations. Staff has been very diligent in looking at the projects particularly those that are being defunded. He pointed out that defunding does not mean that the project is cancelled; it simply means that the funds have been reallocated. It remains a viable capital project and it will be continued and completed. Staff prioritized and looked at those projects that assisted in the revenue generation for the Port. Staff looked at projects that had no mandates such as ADA or accessibility. Staff looked at projects that would continue to enhance the operation of the Port immediately and in the near future and looked to defund or partially defund some of those projects that were either not completely funded today or delay implementation of these projects without a significant impact to the Port. Staff did a great deal of work in establishing these priorities.

The projects in the first category will be partially funded. The column to the left is the previously approved funding and the column to the right is what staff is recommending to be partially defunded from these projects. The total amount of de-funded project is $5.1 million.

The second category would be the projects to be fully defunded. Those are the projects where the entire amount of money would be reallocated to the reallocation process leaving them with zero funds but not deleting or canceling the projects. The projects would still be viable and will be completed when the necessary funding is available. He pointed out that because of the large sum of money that is needed to reallocate ($11 million) and some of the projects being very small pots of money, staff had to consolidate many smaller projects. The total amount of the partially funded and totally defunded projects is $12 million.

Staff looked at projects whose existing funds will be consolidated into new projects. Staff found it necessary to streamline the process of capital projects by creating larger project areas to work from. The funding for seawall repair, for instance, was a specific seawall project. A category was created that has a wider range of seawall projects that can be done with these funds, addressing Portwide or area wide seawall projects rather than one specific seawall. This was done to give greater flexibility to the maintenance team in

addressing the needs of the sprinkler repair or roof repair so that they are not specific projects. They are broader projects that can address a wider need in a shorter period of time. With the reallocation of the existing projects and new funding of the new category of projects, the total is $1.1 million.

The additional funding for existing projects is additional money to meet the current need such as pier repair. The Port needs more than $1.3 million for pier repair but the additional money reallocated in this category will allow more pier repair but not all the pier repair that needs to be done. The commitment to the Special Area Plan is a mandate that we must put this money into the Special Area Plan every year until we reach a certain goal. Maintenance and dredging is a mandate that we have to keep the piers clear for the ships to arrive and leave. The material testing is also a mandate that we must do and look at toxics in other areas along the Port. These additional funds were added to the existing projects for a total of $6.3 million.

The new projects such as the remediation of the contaminated soil, the emergency response to Drydock No. 1, the Amador Street project, the Pier 70 PCB remediation need to be done. These new projects total $4.1 million. These funds are coming from the reallocation of the partially funded and defunded projects.

The final category is a reallocation that will come from the existing operating reserve. It will be used for estimates of the final cost of disposition of Drydock No. 1. To finally dispose of it, the estimated total would include another $1.3 million. An estimate for the requirements of future legal claims and judgements that possibly could total another $2.8 million. The total reallocation amount would be $14.4 million.

Staff hopes not to go through this type of exercise again because of the large sums of money needed by the Port to address its current and projected operating needs. This is the only area of revenue and money that the Port could utilize in order to address the needs as presented.

James P. Green, taxpayer, indicated that this proposal seeks to take $12 million from specific projects. There are 12 projects to be defunded. There are a total of 64 projects to be fully defunded. 75 existing projects that have been specifically approved previously and the money obtained for matters that were deemed important to the Port and its operation. This approach is solely and exclusively from the Finance Department. There are no feasibility studies for the consequences of shutting down any of these projects. There has not been any representation as to when they would be completed, or resumed and what the consequences would be of stopping now. There are no engineering studies, no environmental impacts or otherwise, no input nor advice to any State agencies. As he looks at the numbers, the catalyst is the Drydock No. 1 issue. Approximately 25% of the $3.3 million will be used for non-specific projects. The $3.3 million would almost be consumed or taken cared of by reserve. There are a lot of unanswered questions. This proposal was not put to staff or to those people responsible for these projects until the morning of February 5th. There was no input sought or not obtained from the people overseeing the projects. There will be consequences of shutting down sewer repair. The Port will have problems with the State agencies. He prepared and submitted a 10-page document with attachments for the Commission's review. This matter was spoken about

with some bravado by Port management in December. The result of which was included in a lawsuit filed in the Federal Court. This proposal as framed is insufficient and not worthy of Commission's approval. If it is approved, it ends up in front of the Board of Supervisors and will be back to the Commission in no time.

Corinne Woods, Bayview Boat Club, thanked the Commission for keeping the funding for the launch ramp parking lot in the budget. It is important to move forward with the project to tie in with the Mission Bay project. There are engineering issues that need to be worked out regarding the ramp. She hopes that the Port is successful in getting an extension on the grant funds that they have already been promised by Cal Boating. She hopes that the construction will commence next year.

Mike Berline, Fisherman's Wharf Advisory Group, indicated that most of the advisory members were disappointed of the cut in funding but were understanding of the situation. He was personally happy because there is another opportunity to look at the design. He endorsed staff's efforts to move Monterey Fish into Shed C even though the whole Shed C project isn't moving ahead. Monterey Fish has to get out of Pier 33. He encouraged staff to work to get Monterey Fish into Shed C before the whole project is completed. Mr. Berline inquired about the $1.367 million for the Hyde Street Planning.

Commissioner McCarthy also inquired about the planning of the Hyde Street Harbor. Ms. Mizushina, Chief Harbor Engineer, replied that Finance worked very closely with Engineering to determine which of the projects should get defunded. They made the best decisions they could given the circumstances. The list for the fully defunded projects is misleading. Some of the projects on the list are completed. The planning of the Hyde Street Harbor is complete. Some are completed under budget and therefore, they are closing out the particular project and capturing those remaining funds and putting them back into other capital needs. Some are deferred, not as a high priority today as they were when they were first conceived. Some of them did not have sufficient funding to be completed in today's scenario therefore, it was deemed appropriate that they be deferred until full funding is completed. The Hyde Street Harbor is completed. The project is listed as the leftover money is being captured to be rolled back into the current capital needs. There are several different capital projects identified towards Hyde Street Harbor. During the planning phase, there were two different pots and during construction there were also two additional and there were also subprojects such as the bilge water project that ended up being a part of the Hyde Street Harbor but it was a separate grant source.

Commissioner McCarthy was confused about how the list was laid out and asked for clarification. Ms. Mizushima indicated that the layout of the list should be corrected to reflect the projects approved, the money expended and leftover money.

Commissioner Brandon asked if all the projects are complete or some of the defunding will cease the projects to happen. There was no explanation of the projects and what the defunding means to those projects. Staff is asking for a $12 million reallocation but she's never seen the $12 million originally allocated. Ms. Mizushina replied that the Commission approves these projects annually as part of the Capital Projects.

Commissioner Brandon indicated that she has the 2002/2003 Capital Plan but does not

know how staff arrived at the numbers being presented to them and she has not seen the 2003/2004 Capital Plan. Ms. Mizushima replied that staff took the capital projects that were in the backlog. Commissioner Brandon asked which projects are completed, which ones are partially defunded but still have money leftover.

Commissioner McCarthy asked about the Pier 52 Public Boat Ramp project. Ms. Mizushima replied that for that specific project, the $572,000 that is being defunded is the portion that was covering the ramp. There is $1.5 million additional in grant funding that staff is hoping to get extended. Staff will be working with Cal Boating. To meet the needs of the community, the parking lot will be completed. The ramp would be deferred. Staff will work on the design and get an extension for the grants.

Commissioner McCarthy asked about the development design for Pier 45 Shed C. Ms. Mizushina replied that the title does not aptly reflect the whole project.. Ms. Mizushima replied that we are unable to keep the entire funding for the project based on the market today. Staff would like to demonstrate its commitment to the community with regard to the fish processing facilities. Staff is proposing to pull the wet utilities up to Shed C to build out the trash room, to repair the roof, repair the apron and not build out the inside of Shed C. Staff is looking at capturing the grant from the State and adding another $1.7 million from Port capital to be able to complete this subset of Phase 1.

Commissioner Brandon asked about the projects that are being fully defunded, which are closeouts and which projects will have zero funding. Mr. Lee, Director of Engineering & Maintenance went over the list and indicated which ones were completed and gave the status of the projects .

Projects to be Partially De-Funded

- Pier 48/50 Maintenance Relocation - completed
- Planning Hyde St. Harbor - completed
- Downtown Ferry Terminal East Promenade - completed
- Pier 80 & 94/96 Crane Cab Modifications – plan to do this; will defund $23,000.
- Port ADA Transition Plan – defunding $136,000 but leaving about $400,000 to do the plan which is required by the City. Will survey facilities to ensure they meet ADA ingress and egress requirements.
- Pier 52 Public Boat Ramp – will build the parking lot.
- Pier 28 Roof Replacement – will be completed but defund $155,000.
- Pier 45C Development Design – defunding $2.3 million but investing $2.1 million to do the roof, the apron, some infrastructure inside and utilities to the shed.
- Southern Waterfront Sewer Pump Replacement – the Port has 64 sewer pumping stations; almost one for each pier. If those pumps fail, it's not pleasant. We want to make sure we have enough funds. There is a sewer pumping station at Amador Street that is maintained by the Port. Every 100 to 250 feet of space, there is a sewer pumping station. There is a dual pump and it takes all the sewage from our tenants. We are redoing our process and using a different craft skill to do the work. We will not be able to complete all of them but we will do the critical one. Each pier was built at a different time; every pump is different. It's difficult to standardize the pumps.
- Jones to Hyde Street Sidewalk – Right in front of Francheschi, there is no sidewalk.

We are going to design the sidewalk first and seek funding at a later time.

- Pier 94 Wetlands Mitigation –defunding $25,000.
- Pier 35 South Fender Replacement – in the process of doing this project; this project is not completely defunded.

Projects to be fully de-funded:

- Portable fendering system – completed
- China Basin Ferry Terminal – completed
- Port Oracle – completed
- Ferry Building Shear wall – completed
- Maintenance Relocation – completed
- Income Property Improvement – continuous and should be completed
- Marginal Wharf Project – completed
- Bulkhead Façade Painting – completed
- Dredged Material Upland Rehandle Site – not completed. We are looking for a location to put the dredge material rehandling site. We are currently using Pier 94/96 for that purpose and will continue to use it for dredged material rehandling site.
- Asbestos Removal – completed
- Embarcadero Terminus Improvement - completed
- Piers 3, 29 & 31 Parapet Flashing – not completed. We are still working on some of the roofing projects. Some of the roofing projects will be deferred. We will concentrate on the roofs that bring in revenue and in the worst condition.
- Roundhouse Plaza ADA Compliance - completed
- China Basin Ferry Terminal (ACP) - completed
- Grotto #9 Replace Sewer Main - completed
- Pier 1 Furniture, Fixtures & Equip. - completed
- Agriculture Bldg. Fire Escape & Corridor - completed
- Mid-Embarcadero Stormwater – PUC has asked for $150,000 to install equipment and the Port has previously approved it but DPW has not sent the bill.
- Ferry Building Reception – completed
- Groundwater Monitoring – continuous process. We are defunding this but we are activating other projects.
- Ferry Building – Asbestos -completed
- Underground Storage Tank - completed
- Removal of Lead Contamination – continuous project. For every painting project, we add that to the estimate. We usually have an environmental company to remove the lead before we paint any walls/buildings; we add that into the estimate for painting.
- Ferry Building Renovation - completed
- Hyde St. Harbor – completed. There may be a few items that needs improvements but the project is completed
- Pier 47A and Float – cancelled a year and a half ago. There is about $200,000 left on the project.
- Information Systems (Port) - completed
- Fisherman's Wharf Improvements – completed
- Hyde Street Harbor - completed
- Downtown Ferry Terminal – completed; under budget $313,000

- Pier 80 Fender Repair – partially completed; we have purchased additional piling to complete the work.
- Pier 80 Back-Up Portable Electric Generator - completed
- Pier 80 Crane Boom Anti-Collision Devices – is encumbered in the monies left.
- Pier 80 Gate Improvements – not complete
- Fish Alley Sewer Pump Station Conv. – not complete; we have other sewer pumps that need work. We can maintain that sewer pumping station to make sure that it is continuously working.
- Pier 43 Arch - completed
- China Basin Park Shoreline Stabilization - completed
- Emergency Seawall Repair – we have other seawall repair needs and this is the consolidation that Mr. Robinson talked about to give us a little more flexibility. As we move down the waterfront on our facilities inspection program, we will see additional needs and we can use that to do the maintenance repair work.
- Pier 35 Improvements – we are working on this project; there is money in other projects that can be applied to this project.
- Pier 9 Water Main – we are working on this project; we used the money to purchase materials; we are using partially operating fund labor to complete the work. We are putting the water main inside the pier, underneath the pier.
- Replace Water Main Pier 26 – will not be done; this will be delayed to look at development opportunity and let someone else do the work.
- Pier 24/26/28 Electrical Transformer – this will be delayed because of development opportunity.
- Pier 50 Sprinklers – Additional Funding – completed
- Bike Lanes – Terry Francois Blvd. - completed
- Pier 43 Arch Substructure - completed
- Wafum Lathe - completed
- Oreba Lathe - completed
- Pier 80/92/96 Track Maintenance – this particular project is done but there are other needs for continuous work.
- N. Waterfront Sewer Pump Replacement – consolidated into sewer pump repair along the entire waterfront; we have $450,000 allocated for this project but we're cutting it down to $200,000.
- Conditions Survey – not complete. Under the pier repair, we are able to do surveys as part of that project. It's a matter of where the money shows up.
- Pier 38 Sub Structure Repair – we have obligation at Pier 38 to complete the apron. We have completed Phase 1 with four additional to go.
- Taylor Street Roadway Improvement – not complete. We have a conceptual design and there's not enough money to do the work. We are going to design it first, get comments and if the Taylor Street Restaurants agree, staff will seek additional funds.
- Pier 28 Water Main Upgrade – not completed because of development opportunity.
- Pier 45 Drainage Design – the apron for the fish unloading is not complete.
- Crane Relocation – not enough money to complete entire project
- Harbor Office – there was a plan to move the existing harbor office to Hyde Street Harbor. Currently, this will be delayed and keep the Harbor Office functioning at the existing location.

- Pier 70 Seismic Repair – this is completed for that phase of the work. We have additional masonry buildings that will require hefty investment by the Port. Staff will seek additional funding for the Pier 70 seismic repair project.
- Roundhouse HVAC – completed; there was a more extensive plan but we used a simplified design to complete the work.
- Pier 45 Sprinkler Design – this will be part of the Pier 45 Shed C project.
- Fish Prep Bldg. Relocation (J3) – completed; somehow we did not charge the capital fund; we used the operating fund.
- Amador St. Forced Sewer Main – this project will not be done; we will keep on maintaining it. If there is additional infrastructure improvement, at that time, we will do the Amador Street forced sewer main.
- Pier 94 Repairs – completed.
- Conditions Survey - completed
- Land Use Planning - completed

Mr. Lee mentioned that most of the projects are done. Commissioner Brandon suggested that when staff submits this plan to the Board of Supervisors to specify that 80 percent of the projects are complete.

Commissioner Denise McCarthy left the meeting at 5:00 p.m.

Commissioner McWilliams asked about how the process works. He asked if the people involved in the projects were consulted before any of the projects were chosen to be defunded and if they were notified before the agenda was published.

Joel Robinson indicated that by Mr. Lee's presentation, they looked at these funds and decided what to do and what not to do. This process has been going on for about three months with all the directors and their staff included. The information came from the bottom in order for them to do the reallocation. They met extensively with all the directors and their staff so it would have as little impact as possible. It was a collaborative joint effort amongst all the directors of the Port.

Commissioner McWilliams asked about the defunding of the crane cab modification and how it would impact the project. Mr. John Davey replied that this project is partially defunded; it represents the revised estimate of what the cost would be to make this modification. The modification will be done.

Commissioner McWilliams offered an amendment to the resolution to allow capital funds to be expended to facilitate the partial build out of Pier 45 for fish processing so that the Port does not lose any more fish processing tenant.

Commissioner Hardeman asked for clarification from the Legal Counsel regarding Commissioner McWilliams proposed amendment. Port General Counsel Noreen Ambrose indicated that the subject matter for reallocation is on the agenda; any modifications that the Commission make to the material before the Commission in terms of defunding or not, if you're creating a new project or directing that the contract be let for that specific purpose, there was a previous action on Pier 45 that presumed the entire funding. That

along with a number of specific projects will have to come back to the Commission for modification because they will have to get authorization to issue a request for bids for the work that they are now anticipating for Pier 45. That may be the appropriate time to direct staff to fashion that amount in such a way that would promote a subdivision and allocation for that particular use. Instead of defunding Shed C to $2.3 million, if the Commission would like more money left in that line item, the Commission could make a motion to take it out of some other line item and the action should be taken now.

Commissioner McWilliams revised his amendment to shift some of money that's been taken out under the line item and move it back. The Commission encourages fish processing at the Port in order to make it a viable industry. He was worried that if the project was defunded and the item was brought to the Board of Supervisors for approval, the Port is making a statement that this will not be done.

Commissioner Brandon asked about the plans for Pier 45 with the remaining funds. Mr. Lee indicated that there are $1.7 million in Port funds and $1.5 million in State grants. Staff intends to complete as much as it can with that money. The work that will not be done will be the demising walls and utilities on the inside of the shed. The rest of the project will be done i.e. upgrading the building, bringing utility to the building, upgrading the apron, and putting a new roof. If we could find additional funds, the work will be finished.

If the Commission approves this proposal, Commissioner Hardeman asked if there would be room for additional tenants to move in without making any amendment to the approved document. Mr. Lee replied that you have to make an amendment to do some of the additional work to move a tenant in. The advertising and the bidding process would take approximately six months and construction period would take approximately a year.

Phil Williamson, Real Estate Property Manager, informed the Commission that staff updated its marketing study for interest in that facility from the fish processing community. The preliminary indications are that there are three confirmed interested processors in about half of the space. Staff has a letter of intent from one of the processors. There are two others that have verbally confirmed to giving the Port a letter of intent to take that space.

Commissioner McWilliams reiterated his concern that going to the Board with this specifically defunded project would impact our ability to accomplish the build out for fish processors that we want to have as tenants. Mr. Lee replied that with the defunding, Shed C would not be able to accommodate the fish processors.

Commissioner McWilliams indicated that his amendment would allow the capital plan funding to accommodate that if that situation should happen.

Ms. Mizushima reiterated Commissioner McWilliams question of how the Port will respond in a situation where we need to relocate some of our tenants into these facilities. While the amount may not accurately reflect the cost to put Monterey into Shed C, the purpose of the general funds where we are rolling various projects into a combined, more general project, is to be able to respond to things that may arise. We would be able to turn

to those funds to address those needs. Those funds are being set up to be able to respond more quickly in this coming fiscal year. We are trying to anticipate the various needs, tenants improvements, repairs that we hadn't seen to date. These funds are fairly general. They are subject to the capital committee's approval before any individual can pull funds down from it. If it is deemed that it is appropriate and a priority to address a tenant relocation, this would be a resource.

Commissioner Hardeman indicated that a priority would be given to fish processors at Shed C. It would provide the Port the ability to do what it needs to move a tenant at Pier 45.

Commissioner McWilliams indicated that he does not accept that solution because there are so many priorities at the Port.

Ms. Mizushima indicated that she was offering a little bit of flexibility so that in the event it does not appear to be a priority to move a company into Shed C, if those funds were left in the Shed C project as described, you would not be able to shift them or use them toward some other tenant relocation somewhere else. If it were in the general fund project list, the capital committee would have the latitude to be able to address those priorities as funds are available.

Commissioner McWilliams indicated that if we pass this and just defer to capital funds that are not going to be there, it's not going to happen.

Mr. Robinson mentioned that an amendment without additional funding will not guarantee it. Staff has created a category that allows for greater flexibility that if the funds are there, it could be done.

Mr. Wong added that as potential tenants come forward as indicated by Phil Williamson, staff would sit down and work with them and work out a package towards their build out. It may not look like we need $2.3 million to bring the tenants in.

Commissioner Hardeman indicated that it's on record that the Commission, Directors and staff would like to keep the fish at Fisherman's Wharf especially at Pier 45. This is a priority for the Commission.

Noreen Ambrose reiterated Commissioner McWilliams' request to amend the resolution as follows: Whereas, the Port Commission has as a priority policy to facilitate maintaining existing fish processing tenant through the allocation of funds for the build out of the new tenant facilities at Pier 45 Shed C.

Commissioner McWilliams was concerned about a previous action by the Commission and voted against Items 4B and 4C. Staff was requesting for approval of funds that have already been expended and the Port has an obligation to pay although they haven't all been identified. When further funds are brought to the Commission for approval to pay for the expenses incurred for the drydock, he asked if staff has to go back to the Board of Supervisors for approval for the same project.

Mr. Robinson replied that we will have to go back to the Board for the $1 million. At that time, we have to take details of what the final disposition of the drydock will be.

Commissioner McWilliams indicated that right now with this proposal, we would only have to go there once. Mr. Robinson indicated that we are reallocating the money for capital project. The final disposition will have to go back to the Board to actually expend that money with the final details of how the drydock would be disposed of.

Commissioner McWilliams indicated that the resolution states that based on our action tonight, this item will go straight to the Board. That means that further action on the same issue needs to go back to the Board of Supervisors.

Mr. Dailey indicated that we are going to the Board of Supervisors once to ask them to allocate the money for the recovery and removal of the drydock. If there is a cost incurred to the Port for the ultimate disposal of the drydock from this point forward, then we would have to go back to the Port Commission.

Commissioner McWilliams indicated that because of their action tonight on each of the issues they passed motions on, we have to go back to the Board a second time.

Noreen Ambrose remarked that if you go to the Board and get approval to implement your reallocation plan, one of the line items is disposal of the drydock and you will have appropriation for that purpose, that's the only reason that you go to the Board is to get an appropriation for that purpose. The reason you have to go to the Board on the approval of the Titan Maritime Contract is because it was an emergency contract. You will not be doing the ultimate disposition as an emergency contract.

Commissioner Brandon reiterated that Commissioner McWilliams was concern that the Commission approved $240,000 instead of the $500,000. If staff has to come back and request for the other $200,000, will staff have to go to the Board twice. Ms. Ambrose replied that staff has to go to the Board for the total appropriation for the ultimate disposition of the drydock. On Item 6, it includes funding for the ultimate disposition which includes the remainder of the work at San Francisco Drydock.

Commissioner Brandon indicated that the answer is no because we have $2 million for stabilization, we have $1.2 million for the final cost. Staff does not have to go to the board every time we do a separate cost.

Noreen Ambrose indicated that the $10,000 amount that the Commission authorized, staff will have to come back to the Port Commission and they will not have to go back to the Board if the Board approves an appropriation for those amounts consistent with the reallocation request. Staff will come back to the Commission in the way that the Commission has jurisdiction over all their contracts. With respect to the appropriation item, it will cover all of the contingencies in the reallocation plan request.

Commissioner McWilliams reiterated that although they are different, they will all be covered in the final resolution.

ACTION: Commissioner McCarthy moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 03-08 was adopted.

7. NEW BUSINESS/PUBLIC COMMENT

Tom Chasm, Specialty Crushing, presented information to support Specialty Crushing's receiving a long-term lease on the property now occupied by Specialty Crushing and move towards an action item at the Commission's discretion. The property in question is Seawall 352 which is the backlands of Pier 94/96 at the end of Amador Street. Specialty Crushing has been a tenant of the Port for over six years. The term lease will allow Specialty Crushing to address infrastructure that will improve the tenancy relative to their industry and the surrounding community. They have a property that has no water, no sewer, and no power. They propose to enclose the facility adding water. They have a permit to bring in water that would allow them to put irrigation both for dust control and to support the green forestation area. The property depicts the projected Amador Street. They intend to surface the entry way into Specialty Crushing. They are using a Butler building. The old facility will be enclosed in structure. They have gone to SWAC. There are different combinations of colors but they are open to suggestion of what the color combinations are and they need to work in conjunction with Bode. The material source separated in trucks are concrete, concrete and asphalt, and brick. They also put those materials in separate areas so that they run them at batches. They operate the material in certain fashion. They have originated the reuse of recycled concrete in fresh batch materials. They supply SFO, Oakland Airport and other projects within the City with what's known as CTB (cement-treated base). They trademark a new product which would be a hundred percent recycled aggregate. They are going to put in a watering system so the trucks go under an overhead watering system so that the loads are watered before they are dumped to mitigate dust. The property is unsurfaced and they run a water truck full time and they water the property. The downside to that is the trucks track material onto the roadway. With the new roadway in, they are installing a tire wash, a pressure wash and a top spray. In order to water trucks, they have to use fresh potable water. The pressure wash for the tires will be recycled water. All the trucks will enter before they go onto their scale. The tires and undercarriage will be pressure washed and the top will be rinsed and wetted so there is no fugitive dust. The trucks will be on the surface and enter the roadway to their designated sites. They have a working agreement with SLUG to do the landscaping. There are specific commitments that they have made. It is also important to note what the revenues will be to the Port. Dealing with the workforce, they have itemized specifics on where the jobs are and the living wage. Specialty Crushing is signatory to the operating engineers in all of their operation and they will sign with the other appropriate trades notably the teamsters. They currently have four full-time employees from SLUG. Throughout the construction of this facility, they will be employing a number of employees. Specialty Crushing will act as a general contractor and hire from SLUG or YCD to do the instrumental work. As part of receiving bricks, cobblestones, and things they salvage, they are going to establish a new workforce to work within their operation and palletize materials and make it available to the market place. They will have full time maintenance employees that will work on the site, litter control, managing the landscaping, and work as needed. They have maintenance workers. The batching operation they propose is a unique operation. They would accept limitations in what they do restricting it to recycled materials. They are not be involved in processing competitive virgin aggregates into the marketplace. They will have to use some input of materials, as much as 20% would come from (to support maritime) materials to smooth out the batching. Additionally, they have a design

approval to utilize the dredge spoils from the Port maintenance. There is a cost savings. The materials that are being disposed upland that are appropriate for reuse can be reused in trenchline backfill.

Kevin Drew, Special Projects Coordinator for the Dept. of Environment, expressed his department's support for Specialty Crushing's existing operation and for this project, their expansion project of the new facilities. One of their department's charge in the City is to comply with AB 939, the State mandate to reach 50% recycling. This year, they announced that they have reached 50% recycling. Specialty Crushing represents 216,000 tons of the 830,000 tons of recycling, approximately 26%. They are a very important part to our City's compliance with the State's mandate of AB 939. If Specialty did not exist in the City or found themselves leaving the City, it would push us down to the 30% range in terms of our diversion. It is a very important part of our City's compliance with the State's mandate. Specialty Crushing is a key player in our disaster debris management plan which is a plan calculated to deal with the eventual earthquakes in the City and Specialty is uniquely qualified to do that. Another part of their department's role within the City is providing that support to the Dept. of Public Works and to the Office of Emergency Services. Their department is very active in the community that Specialty is located at. They feel that they can help make programs work there and this program can work there as well.

Gayle Orr-Smith, homeowner and business operator at Bayview Hunter's Point, indicated that for the last few years, she has been involved through her clients, many of whom are industrial tenants in the Southern Waterfront as well as a homeowner concerned with environmental issues. She attended the last SWAC meeting and there were a few residents of the community who expressed their frustration and anxiety about the industrial tenants like Specialty and others. What occurred to her during that process and it actually came forward to the SWAC and the community members is that they didn't see that there was a real synergy or a plan or strategy for how to effectively integrate these businesses into the life and fabric of the community. The community cited its concerns about asthma and other diseases related to the industrial pollution. Given that Bayview is a community that has two major freeways in its midst, a number of other industrial entities that are not on Port property, diesel and particulate matter is a constant problem. The number of tenants on the southern waterfront on Port property constitutes less than 2% of the particulate debris. She observed that there seems to be some need for planning around how to accomplish the Port's agenda with respect to interim uses such as Specialty Crushing and the other batching plant that are seeking to be there as well as offering some solutions relative to the environmental concerns of the community. She has observed that these frustrations are expressed time and time again and there is no real solution. She proposed that we could design through the SWAC a plan that would ultimately lead us to an environmentally clean zone out there. This is probably doable. She is envisioning and proposing for consideration is the notion of declaring the Southern waterfront a clean-air zone. That would involve working with key stakeholders, Port staff, the community, the Dept. of Environment, the industrial companies, and the truckers who live and work in Bayview. They are looking at what would it take to transition some of the diesel machinery that currently operates to clean air vehicle. The City has embarked on a clear air plan. Clean vehicles for the City. They are purchasing the vehicles. They would like to see that we create some kind of strategy for the community, involving the community that gets us to a clean air solution. It would help relieve the anxiety and tension within the community and the various stakeholders that operate out there by removing diesel particulate matter as an issue for the future. It would

probably involve additional cost and result in changes in spending but she thinks that the industrial community as demonstrated by their willingness to participate in the community planning process is probably ready to take this on in a thoughtful and strategic way. They would be looking at a timeline, identifying what the cost would be and working with key departments such as the Dept of Public Health; the Dept. of Environment has already indicated their willingness to participate in this process. She has run this preliminary idea by several people who would be interested such as the Mayor's Office of Economic Development, Jared Blumenfeld, Karen Pierce and Supervisor Maxwell. They all think that this is a desirable end and might be the beginning of a less contentious and egregious relationship.

Jonathan Gomwalk, Director of San Francisco League of Urban Gardeners (SLUG), expressed his organization's support for Specialty Crushing. They have had an ongoing relationship with Specialty for almost three years. They have demonstrated that they are the type of client that seeks out the community's needs. They have risen to the occasion many times in trying to balance the needs of the community with their business in terms of providing employment and seeking members of the community that needs jobs and bringing them into their arena and get their lives back in order and providing them with the training to move on and join union jobs or to get landscaping jobs. They are fully in support of Specialty Crushing and all the benefits and support they have given them. Currently, they are working with them in the planning stage for the landscaping of the new site. This is a step in the right direction. It is going to bring some economic growth to the community. It will help them to get the community involved in this process and become more aware of their surroundings and work together to balance the needs of the community and private industry concerns. He applauded Specialty Crushing and the support they have given them in the past and hope will continue as they move on.

Karen Pierce indicated that at the SWAC's meeting on February 5th, they did not take any action on Specialty Crushing's proposal. The reason they didn't is because they have heard from a lot of people in the community that were opposing it. Specialty is caught in a bigger issue i.e. how do they clean up Bayview. It is unfortunate that Specialty came to them right at the point when they came to them. Community members are very clear that they want a reduction in the particulate matter in their neighborhood. They are fighting this on all fronts - Muni, the Port, PUC, Mirant, PG&E. They recognize that Specialty has listened to the community's request and demands. Specialty is trying to respond to their concerns and is working with community organizations and responding to their needs. There remains that bigger issue that the Port needs to address. She feels, as Gayle-Orr Smith stated, that it can be addressed if we have a real planning process to determine what the backlands will be used for and how we can achieve some of the goals of the community through the use of the backlands. We need to move forward on a planning process. It is clear to her that the community members will become more vocal about their objection to the tenants that are proposed in the southern waterfront. In the meantime, Port staff has been more aggressive than other City departments in attempting to address this. Port staff has addressed diesel emissions and continues to work with them while they are not getting that response from other departments. They have to do something about this and cannot continue to allow City departments to use the Bayview Hunter's Point as a dumping ground for the City. The Dept. of the Environment has a goal that needs to be met. It is a City goal. They have stated to them in the past that the City's goal should not be met on the back of residents of Bayview Hunter's Point. There are other places that are committed to recycling. For instance, the Presidio, the Golden Gate National Recreation Area has a commitment to recycling, reuse to renewables to sustainability. When

they make a recommendation that City departments look at going over there and under their goals, utilizing some of that land, they get laughed at to the point that they are not going to take it anymore. If they don't do this planning, unfortunately, what happens is that not only that Specialty gets caught in this bind but projects such as SLUG projects which will further green the area will make it much more attractive to everybody gets caught up in this too. She asked the Commission to take another look. She appreciated that they came to the Commission four years ago and said that the neighborhood is really concerned and we need to take a closer look at what's going on at the southern waterfront. The Commission established the advisory committee. They appreciate that but they want the Commission to take a further look and tell staff that we have to do some planning so that we can move beyond this issue and we don't get people who are innocent bystanders caught in the middle of this fight. She appreciates any leadership the Commission can provide in this area.

Kevin Drew indicated that their department houses the clean air program. They are currently working on getting the highest air quality sensor located somewhere in the Bayview District so they can start to keep track of what's going on there. They have committed $500,000 next year to a diesel free zone. They have some resources that they are willing to bring to bear to be a player in solving some problems there.

Veronica Sanchez provided the Commission a quick briefing related to the advocacy that the Port has been doing on the cruise ship issue for many years. The Cruising America Coalition was founded at this Port and for many years, they have been trying to find ways to relax federal laws so that they could get more domestic cruises out of the Port. A few weeks ago, the Congress approved an amendment in the omnibus appropriations bill at the request of Senator Inouye of Hawaii that gives a waiver from the Passenger Services Act for three ships for the Hawaii trade to cruise within the Hawaiian Island. The idea is that the ships would be reflagged. One of the ships is being done in a French yard. They started building it at an English shipyard but the company went bankrupt. It was a huge debacle of taxpayer money. NCL bought it and brought it over to France. NCL is asking for a waiver so they could bring that ship into the U.S. flag and hire U.S. crew and bring it into the Hawaiian trade. When they heard about this, they thought it was an opportunity to open up the discussion that if they are going to get a waiver for Hawaii, the waiver should be for the rest of the country too because the ships would be able to sail in and out of Hawaii but they could not leave this Port and go to Hawaii. They view this as an enormous inequity. For the last month, they have been working to get the amendment modified in that bill. They have not been successful yet. Along with other California ports and throughout the country, they are trying to raised this issue so that we could get our delegation's support for a stand alone bill to fix the problem that has occurred so we can get our fair share of getting waivers from the U.S. Bill requirement as long as the ships are manned by U.S. mariners. Both the ILWU and the Sailors Union of the Pacific have been supportive of this effort. We no longer have a disagreement with the Sailors Union of the Pacific on this and they are pushing very hard to get Senator Feinstein's support as well as Minority Leader Pelosi. Port staff has done an outstanding economic impact study. Gerry Roybal pulled an all-nighter for Senator Feinstein's office and documented that if we could get a waiver for three ships for California that it could produce an increase of 60 more calls for this port and generate over $250 million in economic spin-off. They look forward to continuing to get letters of support and working with the Port's delegation.

Commissioner Brandon indicated that she has been asking for a plan on the backlands for at

least two years now. Supervisor Maxwell has been asking for one for at least a year. She hopes that the Planning staff in conjunction with Real Estate and Maritime come up with some type of plan. She asked the Executive Director to direct staff to come back to the Commission in the first meeting in March with outline of a plan and time table. She also asked staff to work with Ms. Orr-Smith. She's volunteering her expertise. She would like staff to work with her regarding the environmental clean zone that could be a part of that plan.

Commissioner McWilliams moved to dedicate this meeting in honor of Noriko Sawada Bridges Flynn. Commissioner Brandon seconded the motion. Commissioner McWilliams indicated that Noriko Sawada Bridges Flynn made a presentation in front of the Commission on numerous occasions regarding dedicating the plaza in front of the Ferry Building as Harry Bridges Plaza. She was the wife of Harry Bridges and on her own right was an advocate for Civil Rights and Human Rights. She had a long and colorful life. She passed away last Friday at the age of 79. There will be a memorial service for her on Saturday. Commissioner McWilliams dedicated this meeting in her memory.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner Brandon moved approval; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor.

At 7:00 p.m., the Commission withdrew to executive session to discuss the following:

B. CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion Item)

a. Discuss existing litigation matter pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case). (Discussion Item).

- Employers Insurance of Wausau v. LTM Construction Co. Inc., Keith V. Lennon, Cecile Lennon, City and County of San Francisco;
  San Francisco Superior Court Case No. 412640, filed September 17, 2002.
  THIS ITEM WAS TAKEN OFF CALENDAR.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case) (Discussion Item).

- As Defendant: The Port has received a claim for damages from SeaRiver Maritime, Inc., relating to tugboat damage after Drydock #1 parted from its moorings on November 7, 2002.

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: Piers 19/23
Person Negotiating: Port: Douglas F. Wong, Executive Director
*Big C Traders: Raymond Lynch

b. Property: Pier 70
Person Negotiating: Port: Peter Dailey, Maritime Director
*San Francisco Drydock: Joe O'Rourke, President

c. Property: The Embarcadero Hotel
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*Stanford Hospitality, Inc: Antony Carter

d. Property: Pier 26
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*International Museum of Women: Elizabeth Colton

e. Property: Pier 1-½, 3 & 5
Person Negotiating: Port: Byron Rhett, Director of Planning & Development
*San Francisco Waterfront Partners, LLC: Simon Snellgrove.

f. Property: Pier 7
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Waterfront Restaurant: Al Falchi

g. Property: Pier 96
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Next Arts: Anthony Imperial

h. Property: Pier 28- ½
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Prospective Bidder(s)

i. Property: 501 Cesar Chavez
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Butler Enterprises: Derf Butler

j. Property: Francisco Bay Office Park
Person Negotiating: Port: Ken Winters, Director of Real Estate
*SKS/FBOP Associates, LLC: Paul Stein

k. Property: 498 Jefferson Street
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Franceschi Restaurant: Paul Capurro

l. Property: Pier 9
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Pacific Marine Yacht Charters, LLC (Signature Yachts): Garrett O'Doherty
THIS ITEM WAS TAKEN OFF CALENDAR.

m. Property: Pier 33
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Lapis Restaurant: Sheila Zaki

9. RECONVENE IN OPEN SESSION

At 9:25 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner McWilliams moved approval to adjourn executive session and reconvene in open session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner McWilliams moved approval to not disclose any information discussed in executive session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

10. ADJOURNMENT

ACTION: Commissioner McWilliams moved approval to adjourn the meeting; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

The meeting was adjourned at 9:26 p.m.

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NOTICE OF CANCELLED MEETING

The following Regular Port Commission Meeting has been cancelled:

FEBRUARY 25, 2003 @ 4 P.M.

A Special Port Commission Meeting is scheduled on:

FEBRUARY 27, 2003 @ 4 P.M.

San Francisco Port Commission
Pier 1, San Francisco, CA 94111
(415) 274-0406

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SPECIAL MEETING
4:00 P.M., THURSDAY, FEBRUARY 27, 2003
BAYSIDE CONFERENCE ROOM
PIER 1, SAN FRANCISCO, CA 94111

The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at www.sfport.com.

AGENDA

1. **ROLL CALL**

2. **APPROVAL OF MINUTES** - February 11, 2003 Regular Meeting

3. **EXECUTIVE**

   A. Executive Director's Report
      - Combined Charities Campaign – Recognition Award

4. **CONSENT**

   A. Request for approval of early termination of Lease No. L-12978 with Butler Enterprises. (Resolution No. 03-12)

   B. Request for authorization to lease space to NextArts at a rate below the approved rent parameters. (Resolution No. 03-13)

   C. Request for authorization to record public access instrument for 5-foot extension to Wharf J1, Pier 49, for Alioto Fish Company, Ltd. (Resolution No. 03-14)

   D. Request for approval of Extension of Exclusive Right to Negotiate with San Francisco Cruise Terminal LLC for the Bryant Street Pier Project, including the James R. Herman International Cruise Terminal and Mixed Use Development Project, on Piers 30-32 and Seawall Lot 330, located at Bryant Street and The Embarcadero. (Resolution No. 03-15)

5. **ENGINEERING & MAINTENANCE**

   A. Request for permission to advertise for competitive bids for the Pier 24 Demolition Project. (Resolution No. 03-16)

6. **PLANNING & DEVELOPMENT**

A. Request for adoption of Mitigated Negative Declaration and Mitigation Monitoring Program; Approval of Lease Disposition and Development Agreement and Lease with San Francisco Waterfront Partners, LLC for the development and historic rehabilitation of Piers 1½ , 3 & 5 located between Washington Street and Broadway; Approval of Schematic Drawings; and Approval of Related Amendments to the *Waterfront Land Use Plan.* (Resolution No. 03-17)

7. NEW BUSINESS/PUBLIC COMMENT

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

B. CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and Action Items)

a. Discuss existing litigation matter pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case):

- F. Alioto Company, Inc. et al. v. City & County of San Francisco, et al., S. F. Superior Court Case No. 318360, filed January 25, 2001.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 (1 case as defendant).

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: 817 Terry Francois Blvd.
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Kelly's Mission Rock, LLC: Jim Kelly

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations regarding Port property located at 817 Terry Francois Blvd.

b. Property: Pier 33
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Lapis Restaurant: Sheila Zaki

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 33.

c. Property: Pier 92
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Specialty Crushing: Tom Chasm

Under Negotiation: ___ Price ___ Terms of Payment X Both
An executive session has been calendared to give direction to staff regarding real estate negotiations for Port property located at Pier 92.

9. RECONVENE IN OPEN SESSION

A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12

B. Vote in open session on whether to disclose any or executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

10. ADJOURNMENT

FEBRUARY/MARCH 2003

CALENDAR OF UPCOMING PORT MEETINGS - OPEN TO THE PUBLIC

Date	Time	Group	Location
February 25 *(Cancelled)*	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
February 27 *(Special)*	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
March 11	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1
March 25	4:00 p.m.	Port Commission	Bayside Conference Room @ Pier 1

NOTES:

The San Francisco Port Commission meets regularly on the 2nd and 4th Tuesday of the month at 4:00 p.m., unless otherwise noticed, in the Bayside Conference Room @ Pier 1. Contact Amy Quesada at 274-0406. ***The Commission Agenda and staff reports are also posted on the Port's Website @ www.sfport.com.***

The Environmental Quality Advisory Committee (EQAC) meets regularly on the fourth Thursday of the month at 9:00 a.m. at Scoma's Restaurant, Pier 47 @ Fisherman's Wharf. Contact Jay Ach @ 274-0562.

The Fisherman's Wharf Waterfront Advisory Group meets regularly on the 3rd Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Kirk Bennett @ 274-0545.

The Maritime Commerce Advisory Committee (MCAC) meets on a bi-monthly basis, on the third Thursday of the month, from 11:30 a.m. to 1:30 p.m. @ Pier 1. Contact Jill Rodby @ 274-0519.

The Mission Bay CAC meets regularly on the 2nd Thursday of the month, from 5:30 to 7:30 p.m. at the Mission Bay Visitor Center (255 Channel Street). Please contact Tiffany Bohee at 749-2481 for more information.

The Northeast Waterfront Advisory Group meets regularly on the 1st Wednesday of the month at 4:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Kirk Bennett @ 274-0545.

The Pier 70 Advisory Group meets monthly on an as-needed basis generally on the 2nd Wednesday of the month from 4 to 6 p.m. at the Potrero Campus of the California College of Arts and Crafts, Board Room, 1111 – 8th Street between Irvin and Hooper. Contact Mark Paez @ 705-8674.

The Rincon Point-South Beach CAC meets regularly on the 3rd Monday of the month, from 5:00-7:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Please contact Tiffany Bohee at 749-2481 or 749-2400 for more information.

The Southern Waterfront Advisory Committee (SWAC) meets every 1st Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or david_beaupre@sfport.com.

The Waterfront Design Advisory Committee meets the 3rd Tuesday of the month from 11 a.m. to 1 p.m. in the Bayside Conference Room @ Pier 1. Contact Dan Hodapp @ 274-0625.

Port Website: Check out the Port's Website at **www.sfport.com.**

ACCESSIBLE MEETING INFORMATION

Getting to Pier 1:
Pier 1 on the Embarcadero, at the foot of Washington St. The Embarcadero Station is the closest BART and MUNI Metro stop, located below Market St. at Drumm & Spear Streets. The nearest F-Line streetcar stop is on the Embarcadero at Washington St. MUNI bus lines serving the Pier 1 area are the 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142.

The nearest accessible parking is provided in the following off-street pay lots:
A) 1 space in the surface lot on the west side of the Embarcadero at Washington St.
B) 3 spaces in the Pier 1/2 lot, located on the east side of the Embarcadero between the Ferry Building and Pier 1. During business hours this lot is operated by valets
C) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking.

Metered street parking is available on the Embarcadero, Washington St. and Drumm St.

Pier 1:
The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Commission Bayside meeting room. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Commission meeting room.

Accessible meeting information policy:
In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Nita Mizushima, Chief Harbor Engineer, at 274-0559. The Port's TTY number is (415) 274-0587.

Know Your Rights Under the Sunshine Ordinance. Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, please contact Donna Hall, Administrator at 554-7724; fax 554-5163; e-mail address Donna_Hall@ci.sf.ca.us; City Hall, Room 244, One Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4689. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Ordinance Task Force, the San Francisco Public Library and on the City's Website at www.ci.sf.ca.us/bdsupvrs/sunshine.

Lobbyist Registration and Reporting Requirements. Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code §2.100) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: www.sfgov.org/ethics.

PORT OF SAN FRANCISCO

MEMORANDUM

February 20, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Authorization for Early Termination of Lease L-12978

DIRECTOR'S RECOMMENDATION: APPROVAL OF REQUEST FOR EARLY TERMINATION OF LEASE L-12978

BACKGROUND:

Butler Enterprise, Inc. is a Port tenant that currently holds two leases at Pier 80 (Lease L-12978 and Lease L-13243). Lease L-12978 is a three (3) year office lease for 2,726 s.f. of space in the Pier 80 Administration Building, at the rate of $5,452.00 per month ($2.00 p.s.f.), terminating on October 31, 2003. Lease L-13243 is a nine (9) year restaurant development lease for 10,472 s.f. of space at 601 Cesar Chavez Street at the base rate of $2,014.00 per month vs. 5% of the gross sales, whichever is greater, commencing on the date that the Port issues a Building Permit for the required tenant improvements. It is anticipated that this will occur in March of 2003. The tenant has approached the Port and requested that we allow him to terminate lease L-12978 effective February 28, 2003 as he is experiencing financial difficulties and the rent under lease L-12978 is seriously jeopardizing his ability to proceed with and complete the restaurant development under lease L-13243. Mr. Butler has also requested that the Port apply his security deposit ($10,904.00) to the outstanding balance due under lease L-12978 ($29,433.62) and allow him to enter into a stipulated agreement for the remaining balance through February 28, 2002 ($ 18,529.62)

After reviewing this matter, Port staff recommends that the Port Commission accept Mr. Butler's office for the following reasons:

- Mr. Butler completed substantial improvements to his premises under lease L-12978 and Port staff is confident that we can readily release this office space if Mr. Butler departs early.

THIS PRINT COVERS CALENDAR ITEM NO. 4A

- The Port shares Mr. Butler's interest in completing the restaurant development under lease L-13243. As stated in the RFP for this project, "Port Maritime Staff have noted that there are no eating establishments within walking distance of the Pier. Port Staff believes that there is an opportunity to reestablish a food service business at the Pier 80 Inn site that can solve this problem as well as create goodwill with the truckers and ILWU workers, revitalize the currently vacant building, create revenues for the Port and offer a business opportunity to the community."

- Mr. Butler has already demolished the existing building, purchased a new pre-fabricated building and initiated construction on the restaurant site.

- It is in the best interests of the Port, from both an economic and public relations perspective, to insure that Mr. Butler is able to complete the redevelopment of the restaurant site under lease L-13243.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-12

WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manages, regulate, and control Port area of City and County of San Francisco; and

WHEARAS, Butler Enterprise currently holds two Leases with the Port at Pier 80 (Lease L-12978 and Lease L-13243); and

WHEREAS, Butler Enterprise is experiencing financial difficulties and has requested the early termination of Lease L-12978; and

WHEARAS, Butler Enterprise has agreed to enter into a stipulated agreement for the balance due under lease L-12978 through February 28, 2003; and

WHEARAS, Mr. Butler completed substantial improvements to the premises and Port staff is confident that we can readily lease this office space upon Mr. Butler's departure; and

WHEARAS, It is in the best interests of the Port to release Mr. Butler from his office lease (L-12978) so he can focus on his restaurant development lease (L-13243); and NOW THEREFORE, BE IT

RESOLVED, that the San Francisco Port Commission hereby approves termination of lease L-12978 effective February 28, 2003, provided that Butler Enterprise enter into a stipulated agreement to pay all rents due through said date.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 20, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Authorization to Lease Space to Nexarts at Rate Below Approved Parameters

DIRECTOR'S RECOMMENDATION: Approve Lease to Nextarts at Below Parameter Rate

BACKGROUND:

Nextarts, Inc. is a non-profit organization dedicated to providing the homeless with an opportunity to develop job skills in the audio/visual field. Nextarts is currently on a month to month license for approximately 2,493 square feet of shed space located at Pier 96 at the rate of thirty five cents ($.35) per square feet Nextarts has approached the Port with a request that we reduce the rental rate for their shed space to twenty cents per square foot ($0.20) and lease them an additional 520 square feet. of adjacent office space at the rate of eighty ($.80) per square foot on a month to month basis.

After reviewing this matter, Port staff recommends that the Port Commission accept Nextarts' request as the space in question is substandard and the Port does not have a replacement tenant at the moment. Moreover, we cannot commit to any term on this space since the maritime department wants to preserve its right to the building in which this space is located.

Additionally, Nextarts is a legitimate non-profit organization which does work for City events and has strong support from several members of the Board of Supervisors.

This request is consistent with exceptions made by the Port Commission to its parameter rent policy for other non-profit organizations (i.e. The Red Cross and Delancey Street).

THIS PRINT COVERS CALENDAR ITEM NO. 4B

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-13

WHEREAS, Charter Section 3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manages, regulate, and control Port area of City and County of San Francisco; and

WHEARAS, Nextarts, Inc. a non-profit organization, has requested that the Port rent them shed space in Pier 96 at the rate of ($0.20) per square feet and 520 square feet of adjacent office space at the rate of ($0.80) per square feet on a month to month basis; and

WHEREAS, Nextarts, Inc. is a legitimate non-profit organization which does work for City events and their request is consistent with exceptions made by the Port Commission to its parameter rent policy for other non-profit organizations; and

WHEARAS, The space in question is substandard and we cannot commit to a long-term lease there as the maritime department is preserving its right to the building, and NOW THEREFORE BE IT

RESOLVED, that the San Francisco Port Commission hereby approves leasing space to Nextarts at the rate of ($0.20) per square feet for shed space and ($0.80) per square feet for office space.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Request for authorization to record public access instrument for 5-foot extension to Wharf J1, Pier 49 for Alioto Fish Company, Ltd. (Resolution No. 03-)

DIRECTOR'S RECOMMENDATION: Approve public access dedication.

BACKGROUND: In 1998, Alioto Fish Company, Ltd. ("AFC") requested an amendment to the Bay Conservation and Development Commission ("BCDC") Permit M90-22 to obtain authorization to expand the premises leased from the Port, Lease L-7491. As required by BCDC, the Port co-signed the application. BCDC approved Amendment No. One to the permit on November 23, 1998, and imposed a special condition which required that AFC install a 5-foot-wide, pile-supported or cantilevered deck extension behind the existing restaurant to maintain a minimum 10-foot wide public access passageway between the Bay and the restaurant. BCDC also required AFC to "guarantee rights for the public for access, for walking, sitting, viewing, picnicking and other related purposes" on the required 5-foot wide deck extension, as further amended through Amendment No. Two, dated December 17, 2002. The 5-foot wide deck extension is located on Port property, outside of, and immediately adjacent to, the leased premises under Lease L-7491. The BCDC Permit requires AFC to maintain the improvements and correct any maintenance deficiency that may be noted in a BCDC staff inspection of the site. The Lease provides that AFC indemnify the Port from liabilities and claims for damages in a manner that covers this property extension. The project and the public access area are both complete. Port staff anticipates that Alioto Fish Company, Ltd. will sign a license agreement authorizing it to use Port property consistent with the Permit and acknowledging its responsibilities.

This Print Covers Calendar Item No. **4C**

CURRENT SITUATION: BCDC has brought an enforcement action against AFC and the Port which requires that this public access area dedication be recorded. The recorded dedication obligation involves the transfer of an interest in Port property to BCDC for public access. When the permit was approved by BCDC, it was an oversight that Port Commission approval was not obtained at that time. Therefore, staff is seeking approval to record a public access instrument for a project that is completed and in place.

RECOMMENDATION: Approve public access dedication as requested.

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-14

WHEREAS, The San Francisco Port Commission has the exclusive authority under Charter Section B.3.581 to use, conduct, operate, maintain, manage, regulate and control the Port area, including the power to approve leases for the use of the Port area; and

WHEREAS, In 1970, the Port approved a lease with Alioto Fish Company, Ltd (AFC) for the use of property located generally at Pier 49, Wharf J1, on Taylor Street (Lease No. 7491); and

WHEREAS, In 1998, AFC requested an amendment to the Bay Conservation and Development Commission ("BCDC") Permit M90-22 to obtain authorization to improve those premises leased from the Port; and

WHEREAS, On November 23, 1998, BCDC approved Amendment No. One to the permit, authorizing the improvements to the premises, and imposing a special condition that required AFC to install a 5-foot-wide, pile-supported or cantilevered deck extension behind the existing restaurant to maintain a minimum 10-foot wide public access passageway between the Bay and the restaurant; and

WHEREAS, BCDC also required AFC, and the Port as the co-permittee and property owner, to "guarantee rights for the public for access, for walking, sitting, viewing, picnicking and other related purposes" on the required 5-foot wide deck extension, as further amended through Amendment No. Two, dated December 17, 2002; and

WHEREAS, The 5-foot wide deck extension was constructed and is available to the public for access, for walking, sitting, viewing, picnicking and other related purposes; and

WHEREAS, Pursuant to Lease No. 7491, AFC is obligated to indemnify the Port and provide insurance with respect to "any injury or injuries to any person or persons, or property brought upon or affixed to the premises, of any kind whatsoever, from any cause or causes whatsoever, while in, upon or adjacent to, or in any way connected with the leased premises"; and

WHEREAS, In consenting to the BCDC permit, and obtaining the benefit therefrom, AFC has obligated itself to maintain the improvements authorized by the permit for so long as the project or any portion remains, or for the remaining term of Lease No. 7491; and

WHEREAS, In consideration of the aforementioned obligations of AFC, the Port would obligate itself to record a "Public Access Instrument" guaranteeing that an area within the Leased premises, as well as the 5 foot wide extension area adjacent to the premises, will be dedicated to public access consistent with the terms of Permit No. M90-22, as amended through Amendment No. Two, dated December 17, 2002; and

WHEREAS, The Port staff is currently seeking affirmation of AFC's consent to the aforementioned obligations, and proposes granting a non-exclusive license to AFC for its use of the 5 foot extension outside of its lease premises consistent with the terms of the BCDC permit; now, therefore, be it

RESOLVED, This Port Commission authorizes the Port Director to cause the Public Access Instrument, approved by counsel for BCDC, AFC and the City Attorney, under BCDC Permit No. M90-22, as amended through Amendment No. Two, dated December 17, 2002, to be recorded, and to obtain affirmation from AFC as to its obligations, under the Permit and the Lease, to indemnify the Port and provide insurance for the area constructed pursuant to the Permit, and to comply with all of the terms of the Permit.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 27, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Extension of Exclusive Right to Negotiate with San Francisco Cruise Terminal LLC for the Bryant Street Pier Project, including the James R. Herman International Cruise Terminal and Mixed Use Development Project, on Piers 30-32 and Seawall Lot 330, located at Bryant Street and The Embarcadero

DIRECTOR'S RECOMMENDATION: APPROVE EXTENSION OF EXCLUSIVE RIGHT TO NEGOTIATE WITH SAN FRANCISCO CRUISE TERMINAL LLC

BACKGROUND

On May 25, 1999, the Port Commission approved Resolution No. 99-36, authorizing Port staff to issue a Request for Qualifications/Proposals for the design and development of the Bryant Street Pier Project, including the James R. Herman Cruise Terminal, on Pier 30-32 and Seawall Lot 330.

On January 11, 2000, after an extensive review and evaluation of qualifications and proposals received, the Port Commission approved Resolution No. 00-03, authorizing Port staff to enter into exclusive negotiations with San Francisco Cruise Terminal LLC (SFCT) for the project. The Port and the Developer signed an Exclusive Right to Negotiate (ERN) on January 25, 2000. The ERN provided for an initial 9-month period of exclusive negotiations extending to October 24, 2000. The ERN allowed two additional option periods of 6 months each. SFCT exercised both of the options and extended the term of the ERN to October 24, 2001. On October 18, 2001, the Port Commission approved Resolution No. 01-78 extending the exclusive right to July 24, 2002. On June 25, 2002, the Port Commission approved Resolution 02-23 which authorized the Port Executive Director to extend the ERN March 6, 2003 (Attachment A) and established the following performance benchmarks:

This Print Covers Calendar Item No. **4D**

- 4(a): No later than 120 days after execution of the Term Sheet, SFCT shall submit and present to Port, and present to BCDC staff and the Rincon Point-South Beach Citizens Advisory Committee, a detailed development program and schematic drawings for Piers 30-32 consistent with the requirements of the public trust and AB 1389, including but not limited to floor plans, elevations, and renderings; and

- 4(b): No later than 120 days after execution of the Term Sheet, SFCT shall submit and present to Port, and present to the Rincon Point-South Beach Citizens Advisory Committee, a detailed development program and schematic drawings for Seawall Lot 330, including but not limited to floor plans, elevations, and renderings, that is either a) consistent with the requirements of the public trust or b) assumes State action lifting the public trust from the Seawall Lot, which action must be agreed to in principle by the State Lands Commission staff and the Port Commission in its sole and absolute discretion.

The Extension Fee of $25,000 was waived in accordance with the terms of the ERN, but SFCT was required to pay $150,000 which has been used by the Port to pay for costs and expenses incurred by the City, Port and its consultant team in connection with negotiating final agreements. These costs will be applied to attorney and consultant work and will be subject to readjustment and replenishment as agreed by the parties. Any unused funds will be returned to SFCT.

SFCT deferred much of its design work pending execution of the Term Sheet which served the basis for extensive negotiation of a Lease Disposition and Development Agreement (LDDA), Pier 30-32 Ground Lease, SWL 330 Purchase and Sale Agreement and related agreements. Since execution of the Term Sheet, SFCT has prepared design concept iterations for both Piers 30-32 and SWL 330.

The concept design for Piers 30-32 was presented to Port staff and taken to the joint Waterfront Design Advisory Committee/BCDC Design Review Board on December 9, 2002 and February 10, 2003. SFCT will present the design to the Rincon Point-South Beach Citizens Advisory Committee on February 24, 2003. However, the concept design does fall short of a detailed development program and schematic design. SFCT will return to these bodies as necessary before schematic plans can be reviewed and approved by the Port Commission.

Owing to protracted discussions with the Planning Department, the SWL 330 schematic design is not yet ready to present to public advisory bodies. However, SFCT is targeting design presentations to the Rincon Point-South Beach Citizens Advisory Committee on February 24, 2003 and the Waterfront Design Advisory Committee on March 12, 2003. Similar to the Piers 30-32 design, SFCT will return to these bodies as necessary before schematic plans can be reviewed and approved by the Port Commission.

Staff believes that SFCT has diligently pursued regulatory approvals for the project, including environmental review. SFCT started the Supplemental EIR (SEIR) process for the Cruise Terminal and Mixed Use project and the Brannan Street Wharf in December 2000 and the Planning Commission initially certified the SEIR on May 9, 2002. The SEIR was subjected to two separate appeals to the Board of Supervisors. On January 13, 2003, the Board rejected the last appeal and certified the SEIR.

SEIR certification represents the first major step enabling the project approval process to commence. In the last eight months, SFCT and the Port have nearly completed the negotiations and documentation of the transaction. On March 11, 2003, the Port Commission will consider the adoption of Mitigation Measures and approvals of the Lease Disposition and Development Agreement, Purchase and Sale Agreement and Lease with SFCT for the Development of Piers 30-32 and SWL 330 (transaction documents). Because the design work has lagged, the Port Commission will consider schematic designs as a separate approval.

The current ERN expires March 6, 2003. Port staff expects to present to the Port Commission consideration to approve the transaction documents on March 11, 2003. Because these actions by the Port Commission can not occur prior to the expiration of the ERN and additional time would be needed for the Board of Supervisors to approve the final transaction, SFCT has requested a 90-day ERN extension (Attachment B). Furthermore, in the event that the Port Commission has approved the transaction documents and additional time is required so that the Board of Supervisors can consider the transaction, the Port Executive Director should be given the authority, as necessary, to extend the ERN.

RECOMMENDATION

Port staff recommends that the Port Commission direct the Port Director to execute a 90-day extension without requiring any extension fees and, if necessary, extend the ERN for the period of time necessary for the Board of Supervisors to consider the transaction.

Prepared by: John Doll
Project Manager

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-15

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, manage, regulate, and control the lands within the Port jurisdiction; and

WHEREAS, under Charter Section B3.581(g) leases granted or made by the Port Commission shall be administered exclusively by the operating forces of the Port Commission; and

WHEREAS, on June 4, 1999, the Port issued a RFQ/P to design and develop a first-class "James R. Herman International Cruise Terminal" and mixed-use development at Piers 30-32 and Seawall Lot 330 (together, the "Bryant Street Pier Project'); and

WHEREAS, on September 3, 1999, Port staff issued the Request for Proposals ("RFP") for the Bryant Street Pier Project; and

WHEREAS, the Port Commission reviewed and evaluated the respondents and their responses and determined that San Francisco Cruise Terminal LLC ("SFCT") best meets the qualification requirements for design and development of the Bryant Street Pier Project; and

WHEREAS, the Port and SFCT executed an Exclusive Right to Negotiate agreement on January 25, 2000 for a period of nine months, with two six-month extension options; and

WHEREAS, on October 25, 2000, SFCT exercised the first extension option period, and on April 25, 2001 SFCT exercised the second extension option period; and

WHEREAS, on September 25, 2001, the Port Commission expressed its support of AB 1389 enabling construction of a new cruise terminal at Pier 30-32 that would include public access, and to provide for the acceleration of the construction of the Brannan Street Wharf; and

WHEREAS, on October 4, 2001, the Governor signed AB 1389 into law; and

WHEREAS, on October 19, 2001, the Port and SFCT executed the First Amendment to Exclusive Right to Negotiate for a period of up to eighteen months; and

WHEREAS, on June 10, 2003, the Port and SFCT executed the Second Amendment to Exclusive Right to Negotiate for a period until March 6, 2003; and

WHEREAS, SFCT has diligently undertaken development plans and sought environmental review in accordance with the Exclusive Right to Negotiate agreement, but due to the complexity of the Bryant Street Pier Project and regulatory approval process has requested an extension to the Exclusive Right to Negotiate, now therefore, be it

RESOLVED, that the Port Commission hereby authorizes the Executive Director of the Port to enter into an amendment to the Exclusive Right to Negotiate agreement for an additional 90 days and extend the Exclusive Right to Negotiate agreement further as necessary if the Port Commission has approved the transaction documents but additional time is need to allow the Board the consider approval of the transaction; and be it further

RESOLVED, that the Port will not enter into a final Lease Disposition and Development Agreement for the Bryant Street Pier Project which would allow for its development until there has been complete compliance with the California Environmental Quality Act (CEQA).

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2003.

_____
Secretary

PORT OF SAN FRANCISCO

November 1, 2002

Mr. Maurice Cococcia
Development Manager
Lend Lease Development
One Front Street, Suite 1100
San Francisco, CA 94111

Re: San Francisco Cruise Terminal Mixed Use Project
Exclusive Right to Negotiate

Dear Maurice:

We are in receipt of your letter dated October 29, 2002 in which you request to extend performance benchmarks 4(a) and 4(b) as described in the Second Amendment to the Exclusive Right to Negotiate Agreement. The deadline for meeting these performance benchmarks is currently November 6, 2002. The Port acknowledges that SFCT has been working diligently to resolve certain project-related entitlement and program issues related to Piers 30-32 and SWL 330. Because of these circumstances, such failure to meet the benchmarks does not constitute default under the Exclusive Right to Negotiate.

The Port hereby agrees to extend the deadline for meeting these performance benchmarks to March 6, 2003, an additional 120 days, subject to reasonable extension thereafter if the entitlement issues have not been resolved within that time period. Please acknowledge your agreement by signing where indicated below and return an executed copy to me.

The Port is looking forward to jointly presenting this project with your team to the Port Commission for its approval, and we appreciate your continuing efforts.

Sincerely,

Douglas F. Wong
Executive Director

ACKNOWLEDGED AND AGREED

San Francisco Cruise Terminal, LLC

By: Glen Ellenbogen
Its: Managing Partner

cc: Kirk Bennett
Byron Rhett
John Doll
Neil Sekhri

Lend Lease
DEVELOPMENT US, INC.

February 20, 2003

Mr. Douglas Wong
Executive Director
Port of San Francisco
Pier 1, The Embarcadero
San Francisco, CA 94111

Re: San Francisco Cruise Terminal Mixed Use Project
Exclusive Right to Negotiate

Dear Doug:

As you are aware, the Second Amendment to the Exclusive Right to Negotiate expires on March 7, 2003. We have been actively working with your staff on the documentation of the transaction for the project and intend to have these documents ready for submission to the Port Commission on March 11, 2003. These documents include the Lease Disposition and Development Agreement, Purchase and Sale Agreement and the associated mitigation measures.

In addition SFCT has been diligently pursing the regulatory approvals for the project. This includes certification of the SEIR for the combined project including the Brannan Street Wharf The concept design for Piers 30-32 has been presented to the Port staff and the joint Waterfront Design Advisory Committee / BCDC Design Review Board on two occasions with positive feedback being received. Conceptual designs for the SWL 330 tower have been developed through discussions with the City Planning Department and will be presented to the Waterfront Design Advisory Committee on March 12. Both projects will be presented to the Rincon Point Citizens Advisory Committee on February 24.

In light of the foregoing, we are requesting that you consider extending the Exclusive Right to Negotiate for a 90-day extension. This extension will allow for the transaction documents to be finalized and the design to be further developed.

Thank you for your consideration.

Very truly yours,
SAN FRANCISCO CRUISE TERMINAL, LLC

Maurice Cococcia
Development Manager

Cc;

Byron Rhett, John Doll – Port of San Francisco

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Denise McCarthy
Hon. Brian McWilliams

FROM: Douglas F. Wong
Executive Director

SUBJECT: Request for Authorization to Advertise for Competitive Bids for Construction Contract No. 2682, Pier 24 Demolition Project

DIRECTOR'S RECOMMENDATION: AUTHORIZE STAFF TO ADVERTISE FOR COMPETITIVE BIDS FOR THE PIER 24 DEMOLITION PROJECT, CONTRACT NO. 2682

Introduction

Port staff requests that the Commission authorize the advertisement for competitive bids for construction contract No. 2682, Pier 24 Demolition Project. The scope of the project includes demolition and disposal of Pier 24, as set forth in the construction contract documents.

Background

On July 20, 2000, the San Francisco Bay Conservation and Development Commission (BCDC) approved amendments to the BCDC Bay Plan and the San Francisco Waterfront Special Area Plan (SAP). These plans include provisions calling for the removal of Pier 24 within three years of BCDC's adoption of amendments to SAP. Consistent with the SAP, the Pier 24 removal is scheduled for completion in July 2003.

The Engineer's estimate for this project is $520,000. The project cost will be funded with Port capital funds from the Special Area Plan fund.

The Port staff has been working in consultation with the San Francisco Fire Department (SFFD) to coordinate the removal of Pier 24 while retaining those piles and decking necessary to maintain berthing for fireboats as currently occurs adjacent to SFFD Station 35 on Pier 22-1/2. Lay berthing for fireboats is allowed under BCDC's SAP.

This Print Covers Calendar Item No. **5A**

Summary

Port staff recommends that the Commission authorize the advertisement for competitive bids for construction contract No. 2682, Pier 24 Demolition Project. This enables staff to meet the required Pier 24 removal schedule.

Prepared by: Ken Chu, Project Engineer, for
Nieret Mizushima, Chief Harbor Engineer

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-16

WHEREAS, on July 20, 2000, the San Francisco Bay Conservation and Development Commission (BCDC) approved amendments to the BCDC Bay Plan and the San Francisco Waterfront Special Area Plan (SAP); and

WHEREAS, the plans include provisions calling for the removal of Pier 24 within three years of BCDC's adoption of amendments to SAP; and

WHEREAS, consistent with the SAP, the Pier 24 removal is scheduled for completion in July 2003; and

WHEREAS, the Engineer's estimate for this project is $520,000; and

WHEREAS, the project cost will be funded with Port capital funds from the Special Area Plan fund; and

WHEREAS, the Port staff has been working in consultation with the San Francisco Fire Department (SFFD) to coordinate the removal of Pier 24 while retaining those piles and decking necessary to maintain berthing for fireboats as currently occurs adjacent to SFFD Station 35 on Pier 22-1/2; and

WHEREAS, lay berthing for fireboats is allowed under BCDC's SAP; now therefore be it,

RESOLVED, that the Port Commission hereby authorizes Port staff to advertise for competitive bids for construction contract No. 2682, Pier 24 Demolition Project.

I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 27, 2003.

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Secretary

PORT OF SAN FRANCISCO

MEMORANDUM

February 21, 2003

TO: MEMBERS, PORT COMMISSION
Hon. Michael Hardeman, President
Hon. Kimberly Brandon, Vice President
Hon. Brian McWilliams
Hon. Denise McCarthy

FROM: Douglas F. Wong
Executive Director

SUBJECT: **Adoption of Mitigated Negative Declaration and Mitigation Monitoring Program; Approval of Lease Disposition and Development Agreement and Lease with San Francisco Waterfront Partners, LLC for the development and historic rehabilitation of Piers 1-1/2, 3 & 5 located between Washington Street and Broadway; Approval of Schematic Drawings; and Approval of Related Amendments to the *Waterfront Land Use Plan.***

DIRECTOR'S RECOMMENDATION: FOR THE PIERS 1-1/2-3-5 PROJECT, ADOPT MITIGATED NEGATIVE DECLARATION; APPROVE LEASE DISPOSITON AND DEVELOPMENT AGREEMENT AND LEASE WITH SAN FRANCISCO WATERFRONT PARTNERS, LLC; APPROVE SCHEMATIC DRAWINGS; and APPROVE AMENDMENTS TO THE *WATERFRONT LAND USE PLAN*

I. BACKGROUND

Port staff commenced working with the Ferry Building Waterfront Advisory Group in October 1999, seeking its input and guidance in formulating a development concept for Piers 1-1/2-3-5. The Advisory Group completed its work in December 1999, recommending a development concept which Port staff brought before the Port Commission for its consideration and approval. Thereafter, the Port Commission authorized and directed Port staff to issue an RFP, and on March 10, 2000, the Port issued a Request for Proposals ("RFP") to lease and develop the bulkhead buildings at Piers 1-1/2, 3 and 5, the shed remnant at Pier 3 and the structure located at Pier 1-1/2 behind the bulkhead (together, "the Site"). A Site Plan of the project area is attached hereto as Attachment 1. Pursuant to this RFP, the Port Commission, by Resolution No. 01-05, awarded to San Francisco Waterfront Partners, LLC ("SFWP") the opportunity to enter into an exclusive right to negotiate with the Port. An Exclusive Right to Negotiate agreement was executed by the Port and SFWP on March 21, 2001 ("Exclusive Right"). The Port Commission has granted extensions of the Exclusive Right through April 30, 2003, with an option to extend an additional three months if the Board of Supervisors has not approved the Lease.

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In December 2000 facilities on the Site were condemned for occupancy by the Port's Engineering Department because of the severely deteriorated condition of the substructure. All leases were terminated, and the tenants vacated the facilities. Since that date, the Port has received no income from the Site. The only continuing use of the Site involves the driveway and public access walkway which provide access across the Site to the adjacent premises occupied by Hornblower Yachts, Inc. The Port expended $2.4 Million to repair the substructure in these areas to enable continued access for Hornblower Yachts, Inc.

The Exclusive Right provides that during the Exclusive Negotiation Period, Port staff and SFWP are to negotiate agreements for the development and rehabilitation of the Site ("the Project"), which include the economic parameters, development standards and requirements, and a performance schedule. It also provides that such agreements are subject to Port Commission approval and cannot be considered by the Port Commission until environmental review under the California Environmental Quality Act (CEQA) has been completed.

A. Scope of Development

The Scope of Development (Attachment 2) involves the redevelopment and historic rehabilitation of the Site, which will restore the buildings and install new uses to attract the public to the waterfront. The Site will provide approximately 12,000 square feet for food and beverage dining establishments; approximately 69,000 square feet for Class A office space; a ticket sales office for Hornblower Yachts, Inc. ("Hornblower"), and approximately 36,000 square feet for public access, including a boat dock for water taxi service and temporary berthing of private recreational vessels. Due to budget constraints, SFWP has until 2010 to build the boat dock. SFWP is required to rehabilitate the buildings in accordance with standards and guidelines established by the Secretary of the Interior for rehabilitation and preservation of historic buildings.

B. Accomplishments to Date

The following has been accomplished during the Exclusive Negotiation Period:

- SFWP has completed its due diligence investigation of the Site and refined the design and scope of the Project, which is reflected in the Scope of Development and in the Schematic Drawings (Attachment 3).

- The California State Teachers' Retirement System (CALSTRS) has agreed to provide 90% of the equity required for the Project, in the amount of $14.5 million, which is approximately 33% of the total Project cost (before tax credits) of $43.8 million.

- The Major Environmental Analysis Division of the San Francisco Planning Department completed the environmental review of the proposed Project under the California Environmental Quality Act (CEQA), resulting in the issuance of a Mitigated Negative Declaration on May 31, 2002.

- On June 10, 2002, after several reviews (including two joint reviews with the Design Review Board of the *Bay Conservation and Development Commission (BCDC)*, the *Waterfront Design Advisory Committee (WDAC)* gave its favorable support to the Schematic Drawings for the

Project, attached hereto as Attachment 3. The five members of the *WDAC* are appointed by the Port, the San Francisco Planning Department and the Mayor's office.

- SFWP has filed the Historic Preservation Certification-Evaluation of Significance Applications (Part 1s) for Pier 5 and for Piers 1-1/2-3 with the State Historic Preservation Officer (SHPO) and the National Park Service (NPS).

- SFWP also has filed the Historic Preservation Certification Applications (Part 2s) for determination that the Project complies with the Secretary of the Interior's *Standards for Rehabilitation*. These documents outline in detail the proposed rehabilitation of the piers.

- On November 20, 2002 the Central Embarcadero Piers Historic District (comprising Piers 1 through 5) was listed by the NPS on the National Register of Historic Places. The properties also were listed on the California Register of Historical Resources.

- SFWP has filed its Application for permit from BCDC.

- SFWP has reviewed the Project several times with a representative from the City's Human Rights Commission.

- SFWP has met with representatives from H.E.R.E. Local 2 and discussed the terms for a mutually acceptable card check agreement for the restaurant subtenants.

- SFWP presented the proposed Project plans to the Ferry Building Northeast Waterfront Advisory Group and to San Francisco Architectural Heritage Foundation, and both groups endorsed the Project.

- SFWP presented the nomination of Piers 1-5 as the Central Embarcadero Piers Historic District to the Landmarks Preservation Advisory Board ("LPAB") for review and comment to SHPO. The LPAB recommended that the piers be listed on the National Register of Historic Places, but commented that labor history should be further investigated as a criterion for listing. The labor history of the piers was further elaborated in the nomination, to SHPO's satisfaction, and the nomination was forwarded to, and listed by, the National Park Service.

- Port staff and SFWP have negotiated the terms of a Lease Disposition and Development Agreement ("LDDA"), a Lease, a Permit to Enter for Construction Staging, a Parking Agreement and all required exhibits and attachments.

- SFWP has submitted a Site Permit and design development drawings for the Project to the Port's Engineering Department.

C. Future Required Approvals

Following adoption of the Mitigated Negative Declaration and approval of the agreements by the Port Commission, the following approvals must be obtained before construction can proceed on the Project:

- Approval of the Lease by the San Francisco Board of Supervisors
- A determination by BCDC and the State Lands Commission that the Project is in compliance with State Trust Purposes
- Issuance of a BCDC permit
- Approval by SHPO and NPS of the Part 1 and Part 2 Applications for Piers 1-1/2-3 and approval of the Part 2 Application for Pier 5. The Part 2 Applications are a determination that the Project as proposed complies with the Secretary of the Interior's *Standards for Rehabilitation*
- Issuance of a permit from the Army Corps of Engineers, and possibly approval by the Regional Water Quality Control Board
- Issuance of a Site Permit by the Port.

SFWP expects to receive these approvals and to commence construction by July 2003, and expects to complete construction by July 2005. After construction is completed, SFWP expects to receive certification from the NPS that the construction complies with the Secretary of Interior's *Standards for Rehabilitation*, making the Project eligible for a 20% Federal Historic Preservation Tax Credit.

II. CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The San Francisco Planning Department issued a Mitigated Negative Declaration on May 31, 2002 regarding the proposed Project. This Negative Declaration finds that the Project will not have a significant effect on the environment and identifies certain Mitigation and Improvement Measures to avoid potential significant negative effects, which Measures are set forth in the attached Attachment 4. Before the Port Commission can approve any agreements with SFWP, it must consider and adopt the findings of the Mitigated Negative Declaration and adopt the Mitigation Monitoring and Reporting Program, which is attached hereto as Attachment 5, pursuant to the California Environmental Quality Act.

III. PROPOSED AGREEMENTS

The agreements negotiated by Port staff and SFWP consist of the following:

(1) a Lease Disposition and Development Agreement ("LDDA")

(2) a Lease

(3) Attachments (to the LDDA) and Exhibits (to the Lease), which documents pertain to the transaction and include: Legal Descriptions and Site Plan; the Scope of Development; Schematic Drawings; a Schedule of Performance; the Project's Budget; Mitigation and Improvement Measures; an Equal Opportunity Program; First Source Hiring Agreement; Estoppel Certificate; Non-Disturbance Agreement; a form of Guaranty; the Permitted Title Exceptions; a form of Certificate of Completion; Examples of Percentage Rent Calculation and Transfer Proceeds Calculations; Prevailing Wage Provisions; a Permit to Enter for Construction Staging; a Parking Agreement to provide parking for the subtenants of the Project during the Term of the Lease, to be executed prior to the close of escrow; a Term Sheet for certain amendments to the leases

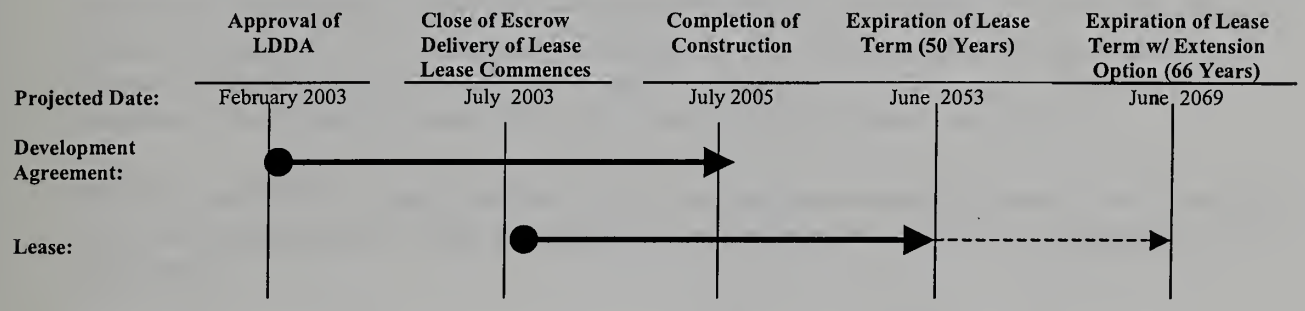
between the Port and Hornblower; and a Guest Boat Dock Management Agreement. A form of the Lease also is an Attachment to the LDDA.

Approval is now being sought from the Port Commission for the LDDA, including the Attachments, and for the Lease, including the Exhibits.

The LDDA will be signed by the Port following its approval by the Port Commission and following approval of the Lease by the Board of Supervisors. The LDDA will go into effect immediately upon execution by the Port and SFWP, but the Lease will not go into effect until certain conditions are satisfied, which conditions are discussed below under the LDDA. Once these conditions have been satisfied, the fully-executed Lease will be delivered to the parties through an escrow.

The Lease will become effective immediately when it is delivered to SFWP, after which construction may begin. The Lease will expire 50 years following the commencement date of the Lease, or 66 years thereafter if the tenant exercises the Extension Option. The LDDA will expire upon completion of construction.

The structure and anticipated schedule for this transaction are illustrated in the following diagram:



It is important to note that, while only the LDDA would be signed by the Port following the approval of the lease terms by the Board of Supervisors and would then go into effect, Port Commission approval is being sought at this time for the entire transaction as described in all of the documents comprising the agreements. If the conditions stated in the LDDA are satisfied, the Executive Director will be authorized to execute and deliver these documents through escrow, including the Lease. In approving the transaction, the Port Commission is being asked to make certain findings that the proposed development of the Project promotes Public Trust objectives, including, without limitation, rehabilitation and renovation of historic marine resources, dedication of public access and uses within the buildings for public purposes.

A. Terms of the LDDA

The purposes of the LDDA are to set forth the conditions for the development of Piers 1-1/2, 3 and 5 by SFWP, to state the conditions for delivery of the Lease to SFWP, and to set forth SFWP's initial construction obligations upon delivery of the Lease. The Port will be obligated to deliver the Lease to SFWP provided the conditions are satisfied. The LDDA provides SFWP with the certainty it needs in order to invest further in the design and approval process for the Project and to finalize the Project financing. The LDDA also protects the Port in that the Port does not have to deliver the Lease unless and until certain conditions are satisfied.

1. Conditions stated in the LDDA for the development of the Site include the following:

   - The Port is to deliver the Site to SFWP free of existing tenants and occupants.

   - SFWP is to accept the Site in its "as is with all faults condition."

   - SFWP is responsible at its own sole cost and expense to comply with all laws and regulations, and to obtain all regulatory approvals necessary to undertake the planned development.

   - SFWP is responsible to perform any investigation and remediation of hazardous materials, including conditions existing prior to delivery, but only to the extent legally required as a result of SFWP's construction activities. SFWP is responsible for all costs incurred in developing the Site, obtaining utilities, and constructing improvements.

   - SFWP will improve the Site in conformance with the Schedule of Performance, Scope of Development and Schematic Drawings (discussed below), which documents will be attached as Attachments to the LDDA. The construction design documents are defined, and the procedure for the Port to approve the construction design documents is established. The first step is the approval of the Schematic Drawings by the Port Commission; subsequent more detailed design documents would be subject to the approval of Port staff, including consistency with the Schematic Drawings approved by the Port Commission.

   - SFWP is required to comply with the Mitigation and Improvement Measures and Monitoring Program identified in the Mitigated Negative Declaration, as set forth in Attachment 2 to the Resolution.

   - SFWP is required to follow the Equal Opportunity Program to encourage participation by minority-owned businesses, women-owned businesses, and locally-owned businesses in designing and constructing the improvements, and is to pay prevailing wages for all construction work.

   - The default and legal remedies of the parties are identified in the LDDA, which for the Port include termination, specific performance and damages, and for SFWP include termination, specific performance, and limited damages. In addition, if the Port fails to approve or unreasonably withholds its approval as to SFWP's submitted requirements (e.g. construction drawings) within the time allowed, SFWP may request an expedited non-binding arbitration procedure.

   - SFWP is required to comply with all applicable City requirements, including non-discrimination, paying prevailing wages, first source hiring, and the employee signature authorization ordinance (i.e. "card check agreement").

   - SFWP is required to carry insurance and indemnify the Port.

2. The following conditions must be satisfied in order for the escrow to close, whereby the Lease and the Site will be delivered to SFWP:

- SFWP has received approval from the National Park Service of the Part 1 and Part 2 Historic Preservation Certification Applications
- SFWP has received all required approvals from regulatory agencies, including BCDC and the Army Corps of Engineers, and BCDC has agreed to amend Hornblower's BCDC permit to allow berthing of a vessel in the middle of Pier 3 on the south side
- Port has approved the construction drawings
- Port has issued a Site Permit
- The San Francisco Planning Department has granted an off-street parking exemption
- The leases with AMB Property, LP and with Hornblower have been amended to adjust the lease lines at Pier 1 and Pier 3, respectively
- The *WDAC* and the Port Commission has approved the Schematic Drawings
- The Port, through the *WDAC* process, shall have approved the final exterior design plans for the lighting, signage, canopies and landscaping for the Project, agreeable to SFWP
- SFWP has submitted to the Port an updated Construction Budget, and evidence of a guaranteed maximum contract for the construction of improvements consistent with the Construction Budget
- SFWP has submitted to the Port satisfactory evidence of adequate subordinate debt financing to complete the improvements, including a completion guaranty by CALSTRS securing SFWP's performance
- Port and Hornblower have executed amendments to the Hornblower leases governing certain relationships between Hornblower and the Port concerning operations at the Site and at Pier 3 during the term of the Lease
- SFWP has given Hornblower a right of first offer to sublease space in Pier 3 for Hornblower's ticket office
- Port and SFWP have entered into the Parking Agreement on the terms described in Section III.D. below.
- Port and SFWP have entered into a Construction Parking Agreement on the terms described in Section III.D. below.

- SFWP has submitted certificates of insurance for required insurance coverage
- The Site is free of all tenants and occupants
- SFWP has submitted, and Port has approved, the Equal Opportunity Program, a First Source Hiring Agreement and an HRC Certificate of Compliance
- Port has granted SFWP a Permit to Enter certain areas of Port property for purposes of staging and construction lay down

3. Requirements for Construction include the following:
   - Developer must perform the necessary rehabilitation project in accordance with a specified schedule of performance
   - Port must review and approve all construction documents to address design and historic rehabilitation concerns
4. The LDDA requires Port consent for any assignment of the document to another party, which consent may be withheld in the Port's sole discretion. However, the Port's consent is not required for a reorganization or sale of assets by SFWP, so long as Putnam Waterfront Partners remains the managing member and CalSTRS remains a participating member.

B. Terms of the Lease

The Lease, which will be delivered through escrow when the above conditions are satisfied, will include the following business terms:

- **Premises**: The Premises will consist of the Pier 1-1/2, Pier 3 and Pier 5 bulkhead buildings, the shed remnant at Pier 3, the structure behind the Pier 1-1/2 bulkhead, water areas adjacent to Pier 1-1/2 and Pier 5 ("Restricted Berthing Areas"), an area on the sidewalk north of Pier 5 and an area on the Embarcadero Promenade in front of Pier 3, both for outdoor café seating ("License Areas"), all as shown on the Site Plan attached hereto as Attachment 1.

- **Port's Option to Expand**: The Port shall have an option to expand its current premises at Pier 1 into the 2nd floor of Pier 1-1/2 and Pier 3, which space is contiguous to the Port's offices. This expansion option will be for approximately 3,132 square feet and is exercisable at market rental rates whenever the space becomes available, but not more than every ten years.

- **Term**: The term of the Lease will commence upon the close of escrow and expire 50 years thereafter, unless the tenant exercises the 16-year option to extend, in which case the Lease will expire 66 years thereafter.

- **Uses**: At least 9,000 square feet of the Premises shall be used for ground floor food and beverage establishments, one of which is required to be located in the north end of the Pier 5 bulkhead. SFWP plans to construct three retail shell spaces for food and beverage establishments, with

improvements to be completed by the food operator subtenants. These restaurant/cafes will be located in Pier 5, in Pier 3 and in Pier 1-1/2 (the bulkhead combined with the structure behind the bulkhead). No more than 69,022 square feet may be used for office. At least 36,000 square feet of the Premises shall be used for public access, including a boat dock and water taxi landing at Pier 1-1/2. A sales/ticket office also will be created in Pier 3 for Hornblower at Hornblower's option. Other permitted uses include temporary berthing, ceremonial berthing, excursion boats (but not dining excursions) if approved by the Port, water taxis, maritime office and other retail. The Port will retain the right to berth vessels free of charge at the Pier 1-1/2 boat dock with SFWP's consent. The Lease also includes a license for outdoor café seating in front of the eating establishments at Pier 5 and Pier 3, which licenses are revocable on 30 days notice. The Project's dock at Pier 1-1/2 will not prevent the Port from utilizing its own dock on the north apron of Pier 1, and SFWP has agreed that it will temporarily eliminate docking on the south side of its dock in order to allow Port to berth a vessel at Pier 1. Changes in use will require prior consent of the Port, to be implemented through a resolution of the Port Commission accepted in writing by SFWP.

- **Water Taxi**: The Port reserves the right to operate a water taxi service at the Pier 1-1/2 water taxi landing, and at least one landing must remain open and available at all times for outside taxi operators. All water taxi operators will sign operating agreements directly with the Port, and the Port, pursuant to the Tariff, will set and collect the landing fees. All of the landing fees collected for landings at Pier 1-1/2 will be passed through to SFWP to help defray dock maintenance and repair costs. A water taxi is defined as a water vessel less than 60 feet in length used for transporting passengers on point-to-point trips, which vessel is Coast-Guard certified for intra-coastal passengers for hire and has a maximum capacity for 49 people, and shall not be used as a dining vessel.

- **Restricted Use Zone**: Subject to amendments to the existing Hornblower lease, the Port has agreed for the term of the Lease to prohibit construction of any permanent structures at Pier 3, in Hornblower's leasehold, in an area extending from the Pier 3 lease line to the end of the Ferry Boat Santa Rosa. Certain improvements and temporary structures, such as containers and light poles, will be allowed in this Restricted Use Zone. This prohibition will be imposed during Hornblower's lease term and thereafter extending until the expiration of SFWP's lease term.

- **Minimum Rent**: The Minimum Rent to the Port will be $500,000 per year (before rent credits—explained below), payable in monthly installments of $41,666.67. Currently, the Site provides no revenue to the Port because the buildings have been condemned. There will be no Minimum Rent during the construction period. Rent commences when a certificate of occupancy is issued or 24 months after lease commencement, whichever occurs first.

- **Minimum Rent Adjustment**: The Minimum Rent will be increased every 5 years after the Rent Commencement Date by the increase in the Consumer Price Index (CPI), with a minimum increase of 10% and a maximum increase of 20%. The Minimum Rent also will be adjusted at the end of the 20th and 40th years, and at the end of the original 50-year term if the option to extend is exercised, to the greater of (1) the Minimum Rent as calculated using the CPI; or (2) 85% of the average annual Minimum Rent and Percentage Rent due during the 10-year period preceding the adjustment date.

- **Percentage Rent**: In addition to Minimum Rent, SFWP will pay 15% of the Tenants' gross rental income from the Project earned during each lease quarter, offset by the Minimum Rent payable for the applicable quarter.

- **Rent Credits**: Because of the badly deteriorated condition of the substructure at the Site, as noted above, a substantial amount of the construction cost is attributable to the repair and seismic upgrading of the substructure. Under the Lease, SFWP will receive rent credits for the hard and soft costs actually incurred to repair and upgrade the substructure, up to a maximum amount of $10 million dollars. The rent credits would be taken monthly against the amount of Minimum and Percentage Rent in excess of $4,166.67 per month ($50,000 per year). The period of Rent Credits would expire the earlier of when SFWP has taken the total rent credits for the allowable substructure costs, or 15 years after rent commences.

- **Historic Tax Credits**: SFWP shall retain all proceeds from any historic tax credits received, anticipated to be 20% of eligible hard and soft costs related to the rehabilitation project, less costs of obtaining the tax credits.

- **Port's Participation in Net Sales Proceeds**: The Port will receive 15% of net sales proceeds (net of reasonable sales transaction expenses) from all sales of the leasehold during the Lease term.
  (a) Initial Sale. Net proceeds of the initial sale shall be determined after deducting transaction expenses and Tenant's net development cost (total certified development costs, less the discounted value of substructure rent credits actually taken as of the date of construction completion, at a 9% discount rate).
  (b) Successive Sales. Net proceeds of sales by successor tenants shall be determined after deducting transaction expenses and the seller's purchase price for the leasehold.
  (c) Refinancing. The Port will not participate in the proceeds from refinancing of the Project, but will capture the bonus value of the Lease through its participation in sales.

- **Improvements and Maintenance**: SFWP will be responsible for making all repairs and improvements to the Project, rehabilitating to historic preservation standards, abating hazardous materials and constructing and maintaining public access improvements. All rent to the Port will be net, with SFWP being responsible for all operating expenses during the term of the Lease.

- **Insurance/Damage and Destruction**: SFWP will be required to carry a complete package of insurance on the Premises, which has been approved by the City's Risk Manager, including Builder's Risk Insurance (during the initial construction), Property Insurance (including earthquake and flood insurance if available at commercially reasonable rates, Commercial Liability Insurance (with limits of $10 million), Worker's Compensation Insurance, Boiler and Machinery Insurance, Business Automobile Insurance, and Business Interruption Insurance. In the event of damage or destruction, SFWP will be responsible for restoring the Premises, and will be required to pay the Port proceeds of the business interruption insurance. SFWP shall have the right to terminate the Lease, rather than restoring the Premises, only in the event of either a major destruction (exceeding 75% of the cost to restore) during the last ten years of the Lease term, or in the event of an uninsured casualty (consisting of damage not covered by the insurance SFWP is

required to carry and in excess of $500,000 plus the amount of insurance policy deductible, or a casualty loss exceeding SFWP's earthquake or flood insurance plus deductible).

- **Security Deposit**: A security deposit equal to two months' Minimum Rent is required.

- **Assignment**: In the event that the Port consents to an assignment, which consent is not to be unreasonably withheld, the assignor shall be responsible only for obligations prior to the assignment, with the assignee being responsible for obligations after the assignment, as well as any unperformed obligation of the assignor arising two years prior to the assignment. Port consent is not required for an assignment solely for the purpose of accommodating the historic tax credits. The Port will be paid 15% of all sums received by SFWP for the sale and/or assignment of the Lease net of costs of sale and SFWP's development costs (less rent credits actually taken), if any. The Port also will receive 15% of all sums received by any future assignees for the sale/assignment of the Lease net of costs of sale and the assignor's purchase price for the Lease. (The foregoing does not apply to an assignment in conjunction with the sale of historic tax credits).

- **Subletting**: The Port will have the right to consent to the form and material business terms of subleases larger than 10,000 square feet and having a term greater than 10 years for which a non-disturbance agreement is requested. The Port also has the right to approve any subleases to an affiliate of the Tenant.

- **Indemnity:** SFWP will indemnify the Port consistent with the Port's standard indemnification provisions approved by the City Attorney.

- **Development Fees**: SFWP will be required to pay a Transit Impact Development Fee to the City, estimated at approximately $100,000.

- **Mitigation**: SFWP must construct the Project in accordance with the Mitigation and Improvement Measures adopted by the Port Commission as part of this action.

- **City Requirements**: SFWP must comply with all applicable City Requirements, including non-discrimination, equal benefits, first source hiring, equal opportunity program, prevailing wages and the "card check" ordinances.

- **Leasehold Mortgages**: SFWP will be permitted to mortgage its leasehold interest (but not the fee) as needed to obtain financing for construction and subsequent improvements.

C. Attachments to the LDDA and Exhibits to the Lease

- **Schedule of Performance**

The schedule of performance for SFWP under the LDDA, under which SFWP must close escrow by June 1, 2004, subject to force majeur, and improvements must be constructed within two years after commencement of construction.

- **Scope of Development**
  The Scope of Development for the Project to be undertaken by SFWP under the LDDA is attached hereto as Attachment 2.

- **Schematic Drawings**
  The Schematic Drawings, which have been reviewed by and received favorable support from the *Waterfront Design Advisory Committee*, are attached hereto as Attachment 3. However, it should be noted that SFWP presently is undergoing value engineering for the Project, and as a result there may be some revisions to the current Schematic Drawings. If so, revised Schematic Drawings will need to be reviewed and approved by the *WDAC*. If the Port's Executive Director determines that such revisions are material, SFWP will seek Port Commission approval of the revised Schematic Drawings. If the revisions are determined to be not material, SFWP will be allowed to proceed with construction drawings.

- **Equal Opportunity Program**
  SFWP has prepared an Equal Opportunity Program, which has been reviewed and approved by the City Attorney's Office and by the City Human Rights Commission's representative.

- **First Source Hiring Agreement**
  SFWP has agreed to comply with the City's First Source Hiring program, and the document has been reviewed and approved by the City Attorney's Office.

- **Guest Boat Dock Management Agreement**
  The parties have outlined responsibilities and duties for managing, maintaining and operating the boat dock at Pier 1-1/2 (and possible future boat docks at Pier 5), including rules for security, signage, abandoned vessels, etc.

D. Other Agreements To Be Executed Prior to Close of Escrow

- **Amendments to Hornblower's Leases**
  In order to provide certain assurances sought by SFWP governing the relationship between SFWP and Hornblower, it is anticipated that the Port and Hornblower will execute amendments to Hornblower's leases covering the following issues: sharing of maintenance costs; access through Pier 3; provision of 25 parking spaces to SFWP; Hornblower's agreement to relocate its ticket office so that SFWP can build a cafe in Pier 3; roof access to the flagpole; adjustment of Hornblower's lease lines; adjustment of Hornblower's restricted berthing area boundary to enable SFWP to install a barge during construction; re-mooring of the Ferry Boat Santa Rosa; allowing for construction staging in Hornblower's leasehold; relocation of Hornblower's western berth to the middle of Pier 3 on the south side; and establishment of a "Restricted Use Zone" to prohibit construction of any permanent structures

on a portion of Pier 3. Any amendments to Hornblower's leases shall be subject to approval by the Port Commission.

- **Parking Agreement**
  The Port has negotiated on SFWP's behalf for Hornblower to provide 25 parking spaces to SFWP at Pier 3 for the term of Hornblower's lease. If a parking garage is built nearby, 20 of the spaces may be transferred to the garage. For the term of SFWP's lease, the Port agrees to license 5 spaces to SFWP at Pier 3 and 20 spaces at either Pier 3 or in a nearby parking garage, if built. These spaces are for use by the Project's subtenants only. The rental rate will be at market, determined annually by the Port.

- **Construction Parking Agreement**
  The Port will provide construction parking at reduced rates, in locations near the Site to meet union requirements, for construction workers during the construction period. The terms of this agreement will be negotiated before close of escrow and memorialized in a separate Construction Parking Agreement.

- **Permit to Enter**
  The Port will grant SFWP a Permit to Enter for construction staging and materials laydown on Port property (water and sidewalk areas) during the period of construction.

IV. FINANCIAL ANALYSIS

Except for access to the adjacent Hornblower leasehold, the existing facilities on the Site are currently condemned for occupancy, and are not generating any revenue to the Port. Unless repairs are undertaken, deterioration will continue, and the facilities will eventually need to be demolished by the Port at a considerable cost. The Port does not have the capital funds to either repair the substructure or demolish the facilities.

The essence of this financial transaction is that the proposed private development will generate the revenues necessary to fund the required repairs and upgrades to the substructure. The developer will be reimbursed for the substructure costs up to a maximum of $10.0 Million by means of rent credits applied to minimum and percentage rent due the Port above $50,000 per year. The Port will then participate in the future revenues generated by the development of this currently non-revenue-producing Site. This participation will include guaranteed minimum rent versus percentage rent calculated on the gross rental revenues of the project, plus participation in net proceeds from future sales of the leasehold.

The maximum period for amortizing the rent credits is 15 years, and it is expected that the developer will require 13-15 years to amortize the cost of the substructure improvements. During this amortization period, the Port will receive only $50,000 per year after rent credits. However, following this amortization period in year 16, guaranteed minimum rent is projected at $864,000, and minimum and percentage rents are projected to total up to $1.0 Million. Assuming a sale of the leasehold in year 15, the Port's participation in the net sales proceeds is projected to be $0.5-2.0 Million. The Port's revenues from this project are thus expected to total $2.1-$5.2 Million for years

1-16. These totals, of course, do not take into account the significant revenues received after year 16 through the remainder of the 50-66 year lease term.

The development costs, which were originally projected at approximately $42 Million, are now projected at approximately $44 Million. This transaction is not structured to provide SFWP with a preferred return on these costs, and SFWP therefore is assuming the development cost risk, among other development risks. However, SFWP will retain all proceeds from the sale of historic tax credits, and will receive rent credits for the cost of substructure work up to a maximum of $10.0 Million.

In addition to the revenue that the Port will receive, there are other benefits that the Port will realize from the Project:

- Renovating, repairing, restoring and rehabilitating Piers 1-1/2, 3 and 5, thus saving these significant historic maritime resources.

- Avoiding the cost to repair or demolish these condemned facilities.

- Rehabilitating the piers consistent with the Secretary of Interior's Standards for Rehabilitation

- Implementing the goals and objectives of the Port's *Waterfront Land Use Plan* as stated in the Request for Proposals, i.e.,

  > "To (1) create an inviting mixed-use Project which will help attract the public to the Bay and enhance their waterfront experience, (2) preserve and rehabilitate the historic waterfront maritime buildings on the Site, and (3) provide rental revenue to the Port to support its public trust mandate."

- Seismically upgrading the piers

- Placing the piers on the National Register of Historic Places

- Supporting maritime commerce by constructing a ticket office/visitor center for Hornblower, a long-time maritime tenant at the Port

- Supporting maritime commerce by building a new public boat dock, which will allow for temporary berthing, ceremonial berthing, excursion boats and water taxi service

- Providing public access to the Bay

- Attracting visitors to the waterfront with new restaurants and cafes and lighted public walkways

- Continuing the PortWalk and Bayside History Walk, allowing the public to learn the history of the piers through an interpretive signage program and displays of artifacts

- Establishing highly visible and accessible Class A office space in the piers fronting on The Embarcadero

- Allowing the Port to expand its administrative offices if necessary in the future

V. AMENDMENTS to the *Waterfront Land Use Plan*

The *Waterfront Land Use Plan ("WLUP")* was adopted by the Port and the Planning Department in 1997. Uses that are allowed in the Lease for this Project need to be consistent with the WLUP. The proposed Project is consistent with the WLUP except for the office use at Pier 3 and the public access at Piers 1-1/2 and 5. Although the WLUP Table for Acceptable Uses for these piers does not expressly include maritime use and recreational boating use, the WLUP permits maritime use on any Port site. Port staff therefore is requesting amendments to the WLUP (set forth in Sections A. and B. below).

A. Office Use at Pier 3. The WLUP allows for general office use at Pier 1-1/2 and Pier 5 but is silent as to office use at Pier 3. The Project encompasses construction of office space at Pier 3, and such use was analyzed in the environmental review document (Mitigated Negative Declaration published May 31, 2002). The addition of office use at Pier 3 was found to have no significant impact on the environment, and therefore Port staff recommends that the WLUP be amended to allow for general office use at Pier 3.

B. Public Access at Piers 1-1/2 and 5. The WLUP allows for public access at Pier3 but is silent as to public access at Pier 1-1/2 and Pier 5. The Project encompasses construction of public access at all three piers, and such use was analyzed in the environmental review document. The addition of public access was found to have no significant impact on the environment, and is in fact a major element of the Project that the Port is requiring. Port staff therefore recommends that the WLUP be amended to allow for public access at Pier 1-1/2 and Pier 5.

VI. RECOMMENDATION

Port staff respectfully requests the following:

(1) Adoption of the Mitigated Negative Declaration published May 31, 2002 for the Redevelopment of Piers 1-1/2, 3 and 5;
(2) Approval of the Lease Disposition and Development Agreement (LDDA), including Attachments, for the development and historic rehabilitation of Piers 1-1/2, 3 and 5 in conformance with the terms described above;
(3) Approval of the Lease, including Exhibits, between the Port and San Francisco Waterfront Partners, LLC, on the terms described above;
(4) Approval of the Schematic Drawings attached hereto as Attachment 3; and
(5) Approval of the amendments to the *Waterfront Land Use Plan*, as set forth above.

Prepared by Jennifer Sobol
Project Manager

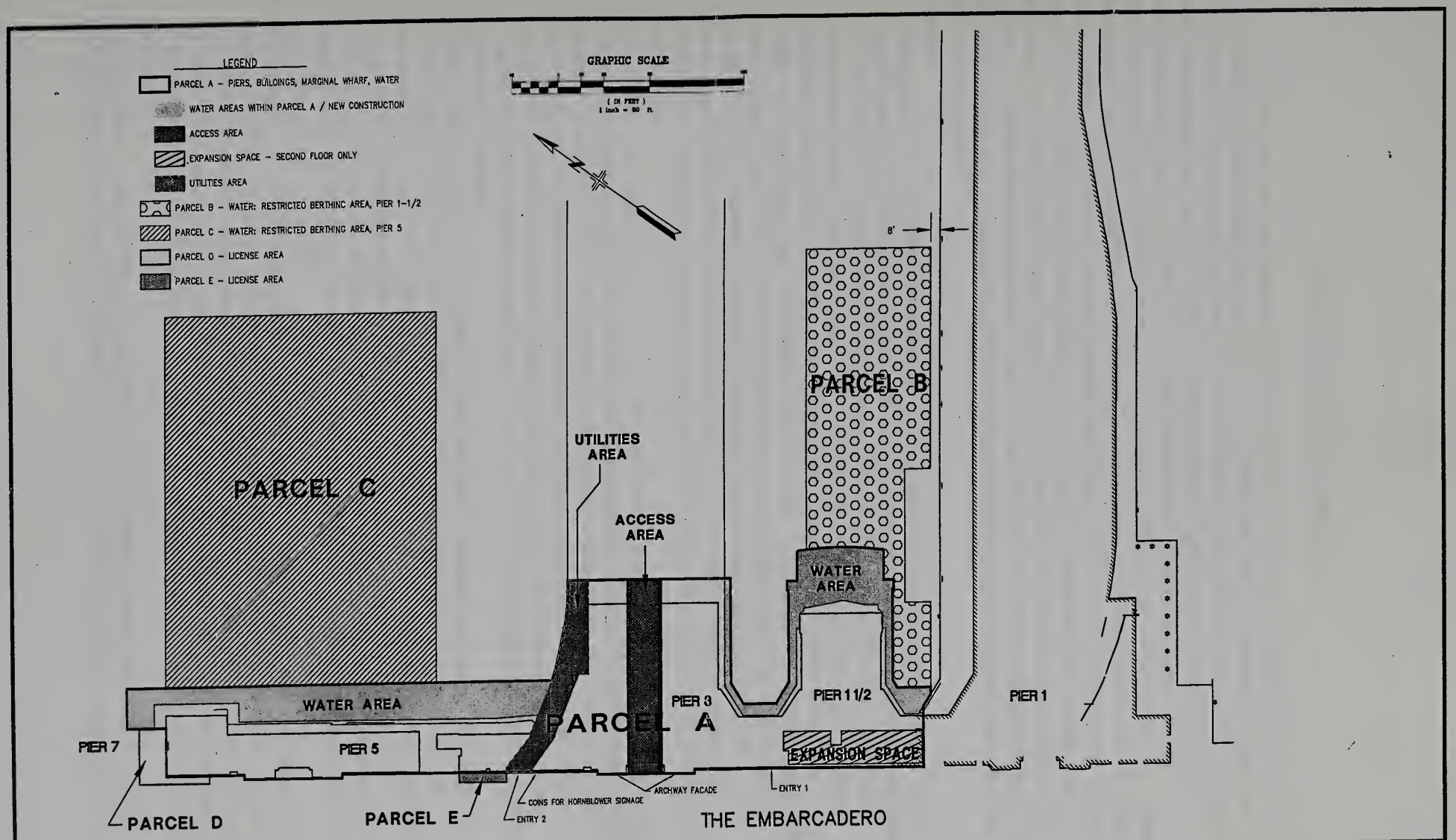
ATTACHMENTS to Staff Report

1 Site Plan: Piers 1-1/2, 3 & 5
2 Scope of Development
3 Schematic Drawings

ATTACHMENTS to Resolution

1 Ferry Building Area Plan Implementation
2 Mitigation Monitoring and Reporting Program

ATTACHMENT 1



APPROVED BY
SAN FRANCISCO PORT COMMISSION
DATE _____
CHIEF HARBOR ENGINEER

SAN FRANCISCO PORT COMMISSION
PORT OF SAN FRANCISCO
DEPARTMENT OF ENGINEERING

PIERS 1-1/2, 3, 5
SITE PLAN
LEASE NO. L-13271

IN CHARGE: J. SOBOL	CHECKED BY: ---
DRAWN BY: AMN	DATE: 14 FEB 2003
DATA FILE: ---	SCALE: 1" = 80'
DRAWING NO. LeaseBdy.DWG	SHEET NO. 1 OF 5 SHEETS

ATTACHMENT 1

SCOPE OF DEVELOPMENT

The proposed project involves the redevelopment and historic rehabilitation of the Piers 1-1/2, 3 and 5 bulkhead buildings, the Pier 3 shed remnant and the pier structure behind the Pier 1-1/2 bulkhead. The proposed project will provide approximately 69,000 square feet of Class A office space on the first and second floors, approximately 12,000 square feet of ground floor commercial retail space to be used for food and beverage establishments, approximately 1,404 square feet for a ticket office/visitor center for Hornblower Yachts, Inc. ("Hornblower") (unless Hornblower consents to a different square footage), approximately 48,000 square feet of public access, which includes future proposed boat docks at Pier 5 and includes approximately 5, 500 square feet for a water taxi/boat dock at Pier 1-1/2. Tenant improvements and finishes shall be consistent with a high-quality development located in the San Francisco Financial District. In addition to a complete rehabilitation of these National Register pier buildings to Secretary of the Interior Standards, the project must enhance the public's appreciation of and access to the San Francisco waterfront.

1. Uses

a. Retail Uses. Tenant shall create retail space for at least two ground-level food and beverage establishments: one at the north end of the Pier 5 bulkhead one at the south end of the Pier 1-1/2 bulkhead, which also must include the pier structure behind the Pier 1-1/2 bulkhead. Tenant shall create retail space for a third food and beverage establishment in the Pier 3 bulkhead if Hornblower agrees, per the Hornblower Term Sheet, to relocate its ticket office to the area identified as the "Hornblower Ticket Office" on Exhibit 1 to Attachment 15 (the Hornblower Term Sheet). Tenant also shall create a retail shell space for Hornblower's ticket office/visitor center in the Pier 3 bulkhead in accordance with the terms of Hornblower's Lease No. L-12175 with the Port, or in accordance with the terms of the Hornblower Term Sheet, whichever is applicable, or as otherwise agreed to by Hornblower and Tenant.

b. Boat Docks. By December 31, 2010, Tenant shall create a boat dock and water taxi landing at Pier 1-1/2, substantially in accordance with the approved Schematic Drawings; provided however, that the water taxi landing shall be modified to remove the "leg" running north-south and provided further that the boat dock may be modified so long as the modified design and location are reasonably approved in advance by Port. Tenant may, but is not required to, create additional boat docks in the Pier 5 basin, in accordance with the approved Schematic Drawings.

c. Public Uses. Tenant shall create public access walkways around and through the project, continuing the PortWalk and Bayside History Walk, in accordance with the approved Schematic Drawings. The public access areas shall be used for public access uses consistent with requirements imposed by the *Bay Conservation and Development Commission (BCDC).* Design, color and location of street furniture, signage and other elements to be installed in the public access areas shall be as approved by the *Waterfront Design Advisory Committee* or by Port staff.

d. Office Space. Except where eating establishments and the Hornblower ticket office will be built pursuant to paragraph 1(a) above, Tenant shall create Class A office space on the first and second floors of the bulkhead buildings at Pier 1-1/2, Pier 3 and Pier 5; and shall create Class A office space in the Pier 3 shed remnant on the first floor and create a second floor and mezzanine. Total office space shall not exceed approximately 69,022 square feet for the project.

e. License Areas. In the License Area at Pier 5 and the License Area at Pier 3, as shown on Exhibit B to the Lease and Attachment 2 to the LDDA, Tenant shall create café seating for

the adjacent restaurant uses with tables, chairs and other street furniture approved by the *Waterfront Design Advisory Committee.*

2. **Development and Design**
The design of the project shall be generally consistent with the Schematic Drawings dated July 12, 2002 and approved by the *Waterfront Design Advisory Committee* on June 10, 2002. Said Schematic Drawings are attached hereto.

3. **Retention of Historic Fabric**
During the redevelopment of the piers, and throughout the Term of the Lease, Tenant shall retain the historic fabric of the buildings as required by the National Park Service in its review for conformity with the Secretary of the Interior's Standards for Rehabilitation in designating the piers as a certified rehabilitation of a certified historic district under the Federal Historic Preservation Tax Incentives program.

4. **Additional Development Standards**

a. The development of the project shall comply with all applicable legal requirements including, but not limited to, applicable provisions of the San Francisco Building Code, as amended by the Port Building Code, and the State Historic Building Code.

b. Tenant shall install a seismic joint on Pier 3 within Parcel A of the Premises between the Pier 3 shed building and the lease line separating the project site from the leasehold for Hornblower.

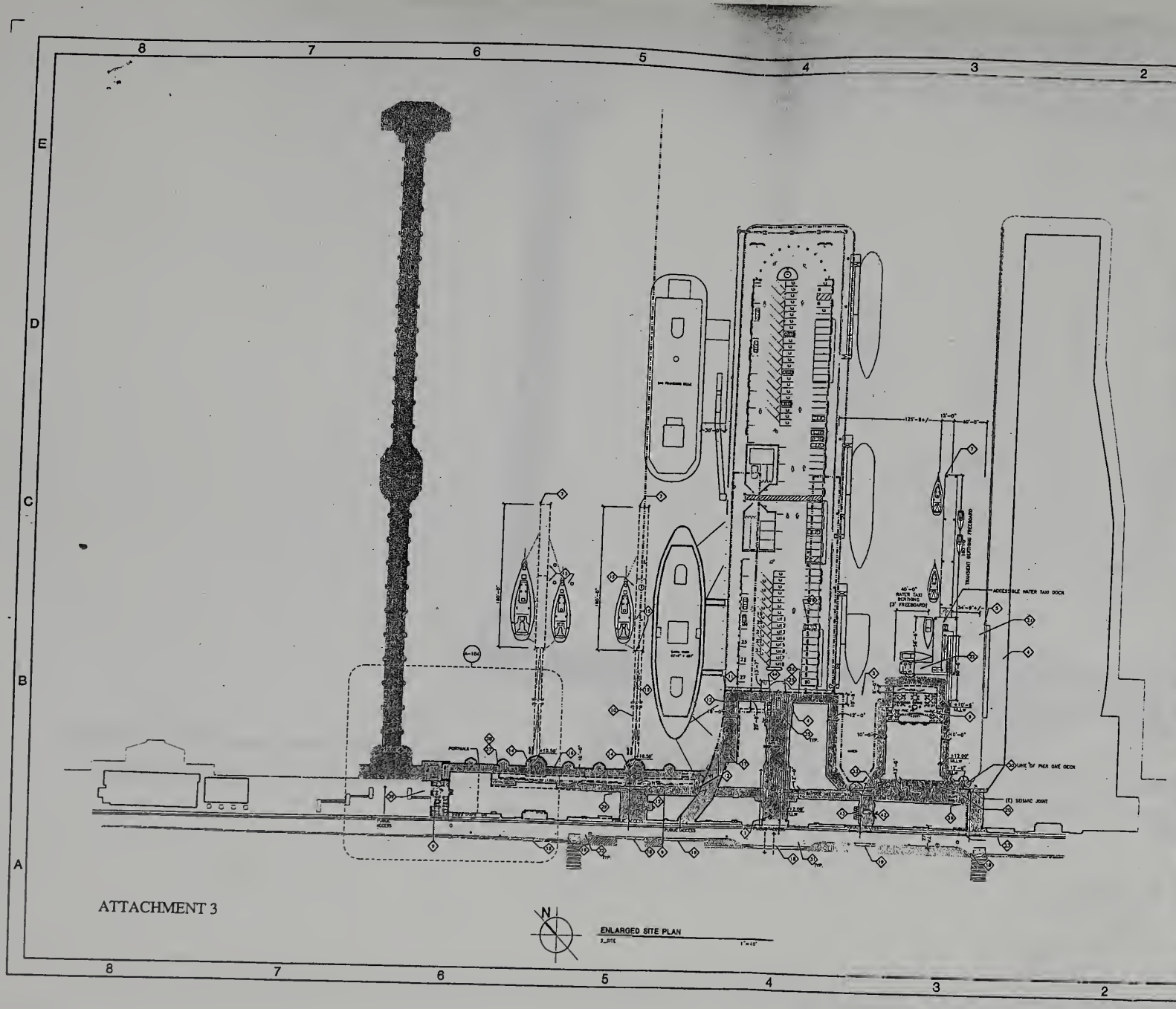
c. The project shall include seismic upgrades, structural upgrades and substructure repairs. It shall include upgrade of electrical, mechanical, water, sewer, and telecommunications systems. Storm water drainage shall be connected to the City's combined storm drain/sewer system so that there is no direct discharge to the Bay.

d. The buildings' existing heights shall not be altered, with the exception of the Pier 3 shed remnant where a central monitor with clerestory windows and glass-skylighted roof may be constructed; provided, however, that the height at the ridge of the new monitor shall not exceed 46 feet.

e. The existing footprints of the buildings shall not be altered, with the following exceptions: (i) the Pier 3 shed remnant may be extended 10 feet eastward from the existing shed footprint; (ii) the abandoned storage shed of 239 square feet located at the north end of Pier 3 shall be demolished; and (iii) the center portion of the east elevation of Pier 5 may be extended eastward in accordance with the approved Schematic Drawings.

f. Any rooftop mechanical equipment shall be adequately screened.

5. **General Construction Requirements**
Construction of the project shall be performed in accordance with the Mitigation and Improvement Measures set forth in the Final Negative Declaration for the project, 2001.0448E Redevelopment of Piers 1-12, 3 and 5, dated May 31, 2002, with respect to noise, traffic, air quality, biological resources, hazardous materials and cultural resources impacts, and in a workerlike, safe and orderly manner so as to minimize, to the extent reasonably feasible, disturbance to the adjoining property, as well as to the community as a whole. Tenant shall provide ingress and egress access for pedestrians and vehicles to and from Hornblower's leasehold at Pier 3 twenty-four hours per day, seven days per week throughout the construction period.



ATTACHMENT 3

LEGEND

- PATH OF TRAVEL PEDESTRIAN ACCESS
- PATH OF TRAVEL AUTOMOBILE ACCESS
- ELEVATION ABOVE MEAN LOW LOW WATER (MLLW)
- PROPOSED VALET PARKING/PASSENGER LOADING ZONE
- PROPOSED CARPOOL DROP-OFF ZONE
- PROPOSED LOADING ZONE
- (C) NO PARKING ZONE
- (C) 5F PORT PARKING ONLY
- (N) STAMPED CONC. COBBLESTONE PATTERN
- (N) PRECAST CONC. PORTWALK
  (ON) STAMPED CONC. TO MATCH AT CERTAIN LOCATIONS OVER (E) DECK.)
- (N) CONCRETE PAVING TO MATCH HERB CAEN WAY
- (N) DENOTES NEW
- (E) DENOTES EXISTING

KEY NOTES

1. (E) TOP OF DECK/SEA WALL
2. NO -USED
3. OPTIONAL PILING - LOCATION TBD
4. (E) EDGE OF BUILDING
5. (E) PIER 1 RAILING
6. PIER ACCESS (NC ACCESSIBLE)
7. DIRECTIONAL SIGNAGE
8. NOT USED
9. TABLE /CHAIRS FOR OUTDOOR SEATING
10. OVERWATER HORNBLOWER LEASE LINE - SUBJECT TO HORNBLOWER'S CONSENT
11. SEISMIC JOINT LOCATION (EXACT LOCATION TO BE DETERMINED BY STRUCTURAL ENGINEER)
12. (E) UTILITIES, CLEATS & LINES - RELOCATION TBD IN CONSULTATION WITH HORNBLOWER
13. NOT USED
14. KEY NOTE ADJUSTMENT OF HORNBLOWER'S LEASE LINE
15. (E) CLUSTER PILES TO BE RELOCATED/REMOVED PENDING FUTURE DOCK - SUBJECT TO HORNBLOWER'S CONSENT
16. RAILING AT (N) BOARDWALK
17. PROPOSED CLASS 2 BICYCLE PARKING (4 SPACES)
18. (E) CURB CUTS
19. NOT USED
20. REMOVE (E) WALL (SUBJECT TO AGREEMENT WITH MAR & PORT)
21. (E) EDGE OF PIER ONE
22. ACCESSIBLE WATER TAXI DOCK
23. (E) CRACK BLOCK IN SIDEWALK
24. NOT USED
25. PROPOSED NEW BUILDING LINE
26. OPEN CIRCULATION AREA
27. NOT USED
28. PROPOSED PROJECT PARKING (37 SPACES TOTAL)
29. PROPOSED INDOOR TRASH ENCLOSURE LOCATION
30. (E) CHANGE IN ELEVATION
31. (E) STREET LIGHT STANDARDS
32. (E) HISTORICAL MARKERS
33. HISTORICAL MARKERS/DISPLAY
34. NOT USED
35. NEW DECORATIVE BOLLARDS
36. NOT USED
37. PORTWALK LIGHT STANDARDS
38. PORTWALK BENCHES
39. OUTDOOR MOBILE BARRICADE PER ABC REQUIREMENT
40. NOT USED
41. NOT USED
42. PROPOSED CLASS 2 COVERED BICYCLE PARKING (4 SPACES)
43. PROPOSED CLASS 1 MONITORED BICYCLE LOCKERS W/PERSONAL STORAGE (13 SPACES STACKED)
44. CONCRETE PAVING TO MATCH (N) PRECAST CONCRETE PORTWALK PAVING. LOCATION SUBJECT TO AGREEMENT WITH HORNBLOWER AND PORT.

HANNA Associat

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CONSULTANT:

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THE PIERS

PIERS 1.5, 3 & 5
SAN FRANCISCO, CALIFORNI

NO.	ISSUE	DATE	BY
1	CLIENT REVIEW	10.28.01	MA
2	ENVIRONMENTAL REVIEW	11.06.01	MA
3	REVISIONS	11.13.01	MA
4	FINAL WHARFINGER REVIEW	11.15.01	MA
5	INTERIM TRAFFIC REVIEW	11.21.01	MA
6	PORT REVIEW	12.04.01	MA
7	REVISION	01.07.01	MA
8	FINAL TRAFFIC REVIEW	01.12.01	MA
9	BCDC SUBMITTAL FOR HEARING ON 01.07.02	01.14.01	MA
10	REVISION FOR BCDC APPLICATION	01.03.02	MA
11	REVISION	01.31.02	MA
12	BCDC RE-SUBMITTAL	02.07.02	MA
13	REVISION PER SITE SURVEY	02.12.02	MA
14	REVISIONS PER PORT COMMENT	02.14.02	MA

PRELIMINARY
NOT FOR CONSTRUCTION

NO.	ISSUE	DATE	BY

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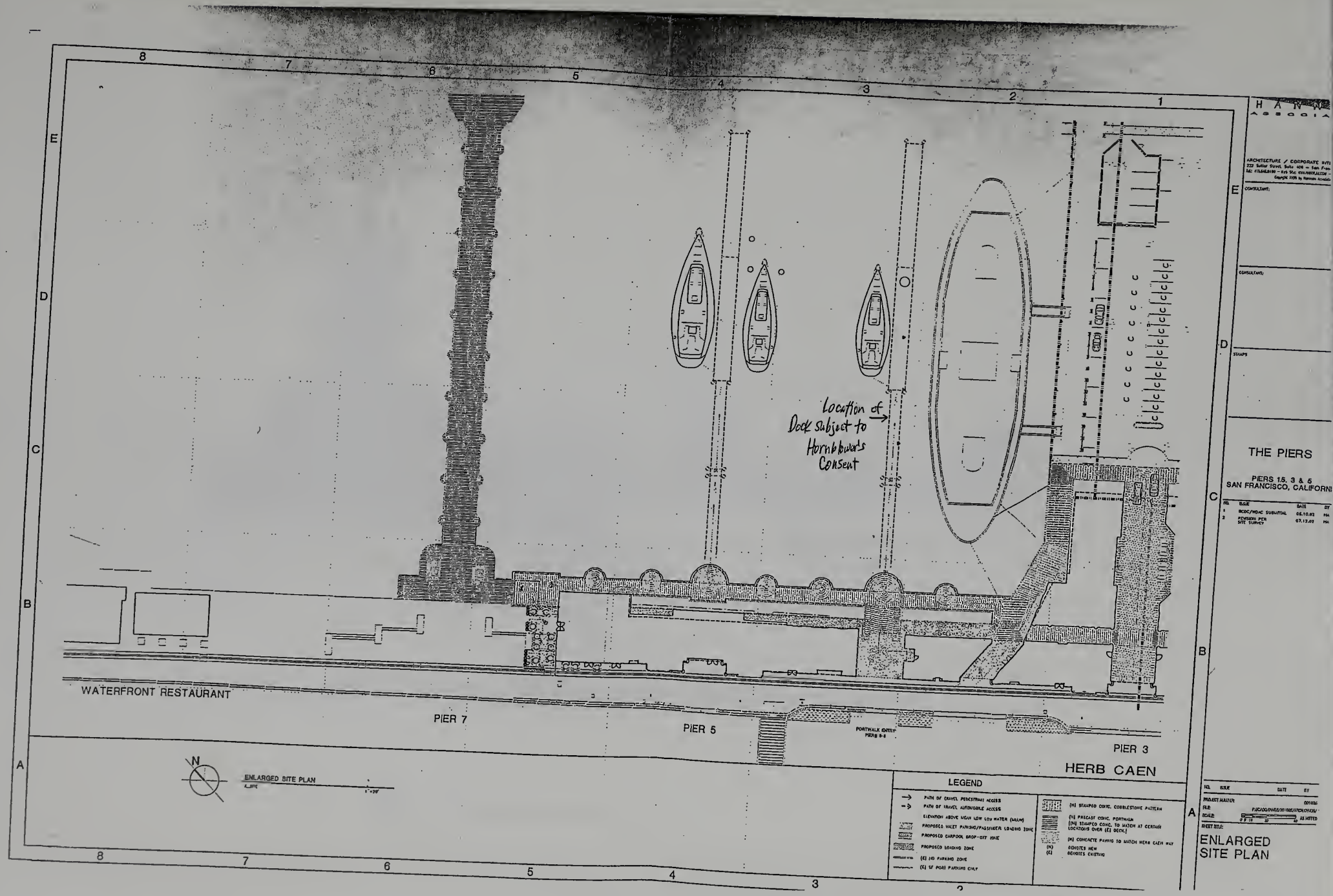
SHEET NUMBER: A-103


Location of Dock subject to Hornblowers Consent
WATERFRONT RESTAURANT
PIER 7
PIER 5
PORTHOLE ENTRY PIERS 5-7
PIER 3
HERB CAEN
N
ENLARGED SITE PLAN
LEGEND
PATH OF TRAVEL PEDESTRIAN ACCESS
PATH OF TRAVEL AUTOMOBILE ACCESS
ELEVATION ABOVE MEAN LOW LOW WATER (MLLW)
PROPOSED VALET PARKING/PASSENGER LOADING ZONE
PROPOSED CARPOOL DROP-OFF ZONE
PROPOSED LOADING ZONE
(E) NO PARKING ZONE
(E) 15' PORT PARKING ONLY
(N) STAMPED CONC. COBBLESTONE PATTERN
(N) PRECAST CONC. PORTHOLE
(N) STAMPED CONC. TO MATCH AT CERTAIN LOCATIONS OVER (E) DECK.)
(N) CONCRETE PAVING TO MATCH HERB CAEN WAY
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THE PIERS
PIERS 1.5, 3 & 5
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2 REVISIONS PER SITE SURVEY 07.17.03 MA
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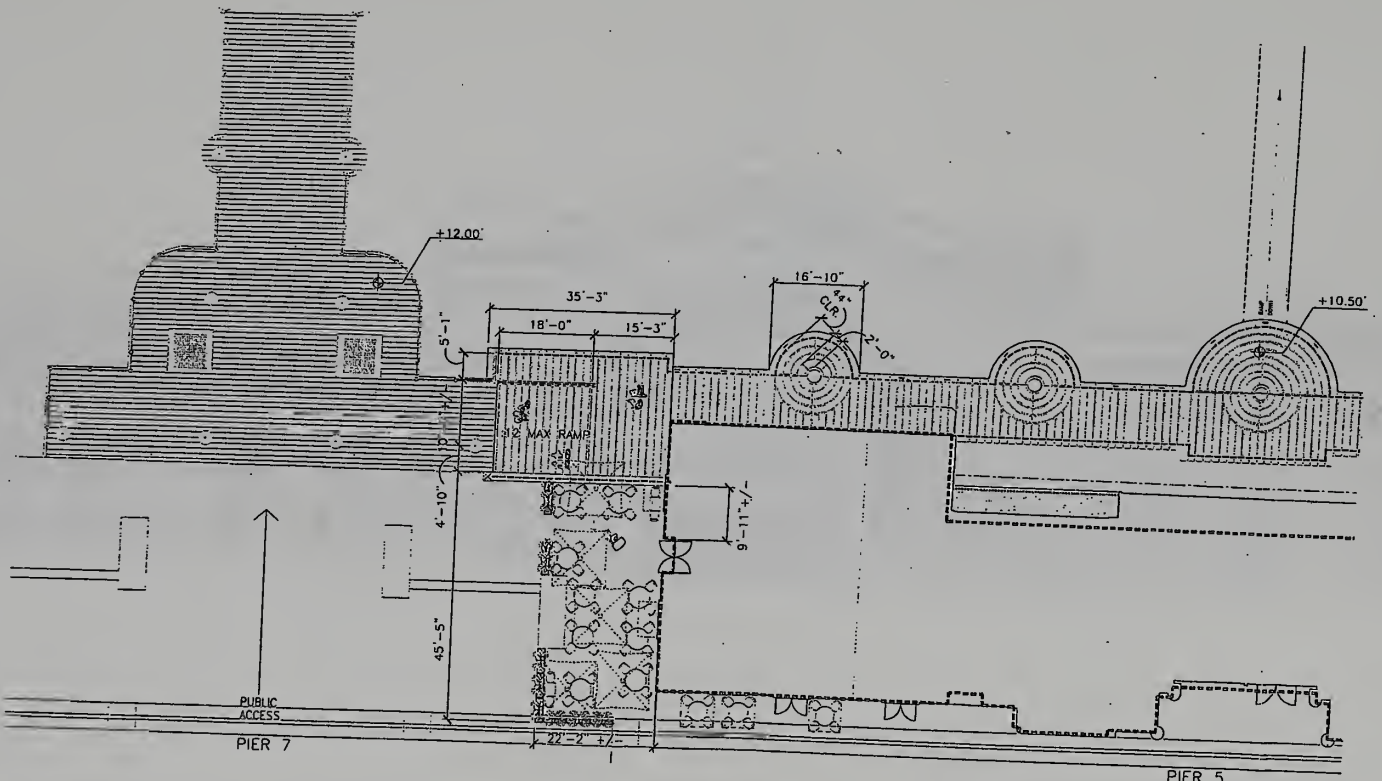

N

ENLARGED PORTWALK PLAN

X_SITE

1/8" = 1'-0"

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PIERS 1, 3 & 5
SAN FRANCISCO, CALIFORN

NO.	ISSUE	DATE	BY
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2	REVISION PER SITE SURVEY	07.12.02	HA

NO.	ISSUE	DATE	BY

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SITE PLAN
PIER 5

A-104

EL1 EL2

EL1 EXTERIOR HERB CAEN WAY ELEVATION

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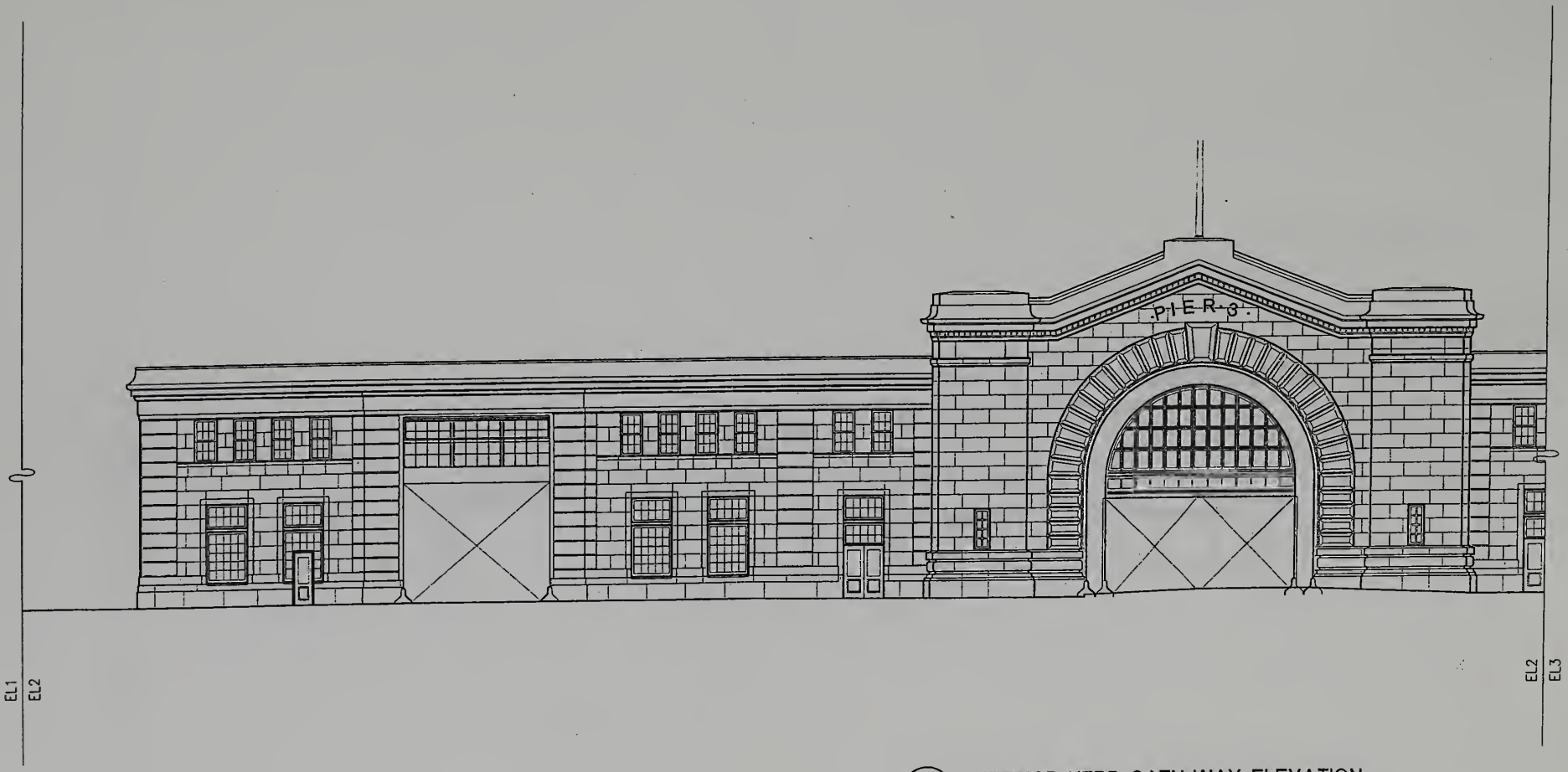

EL2 EXTERIOR HERB CAEN WAY ELEVATION

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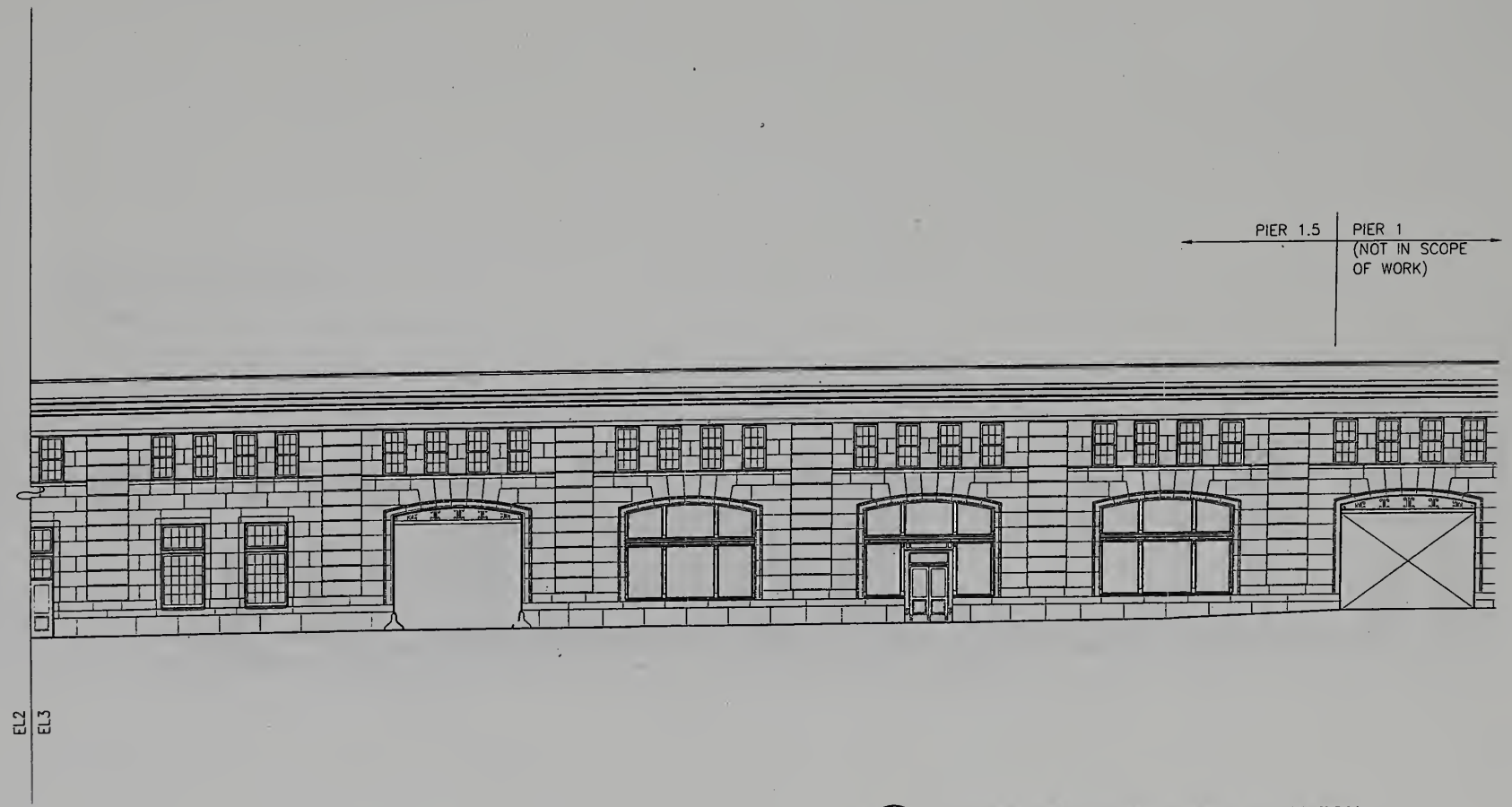

EL3 EXTERIOR HERB CAEN WAY ELEVATION

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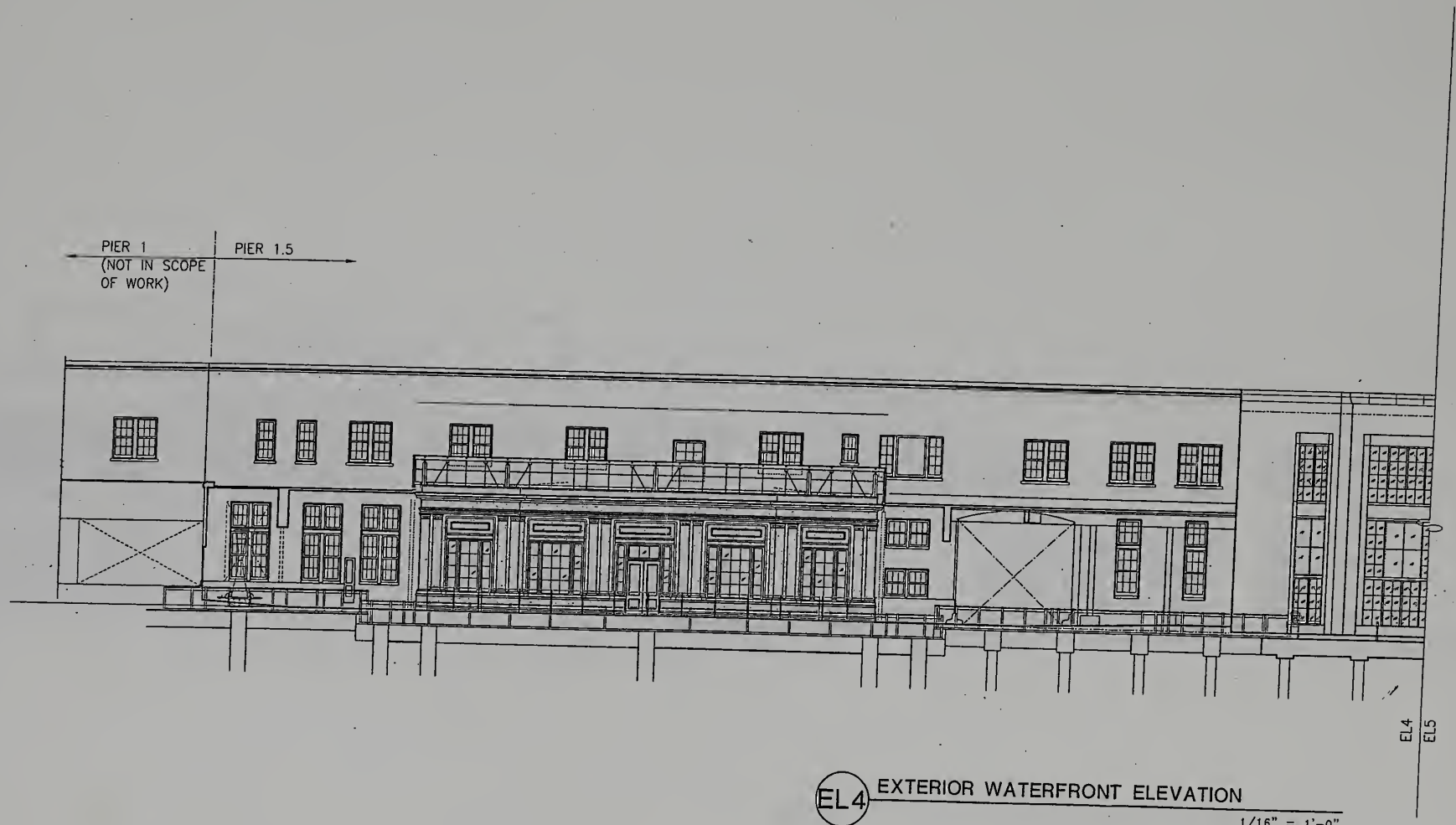

EL4 EXTERIOR WATERFRONT ELEVATION

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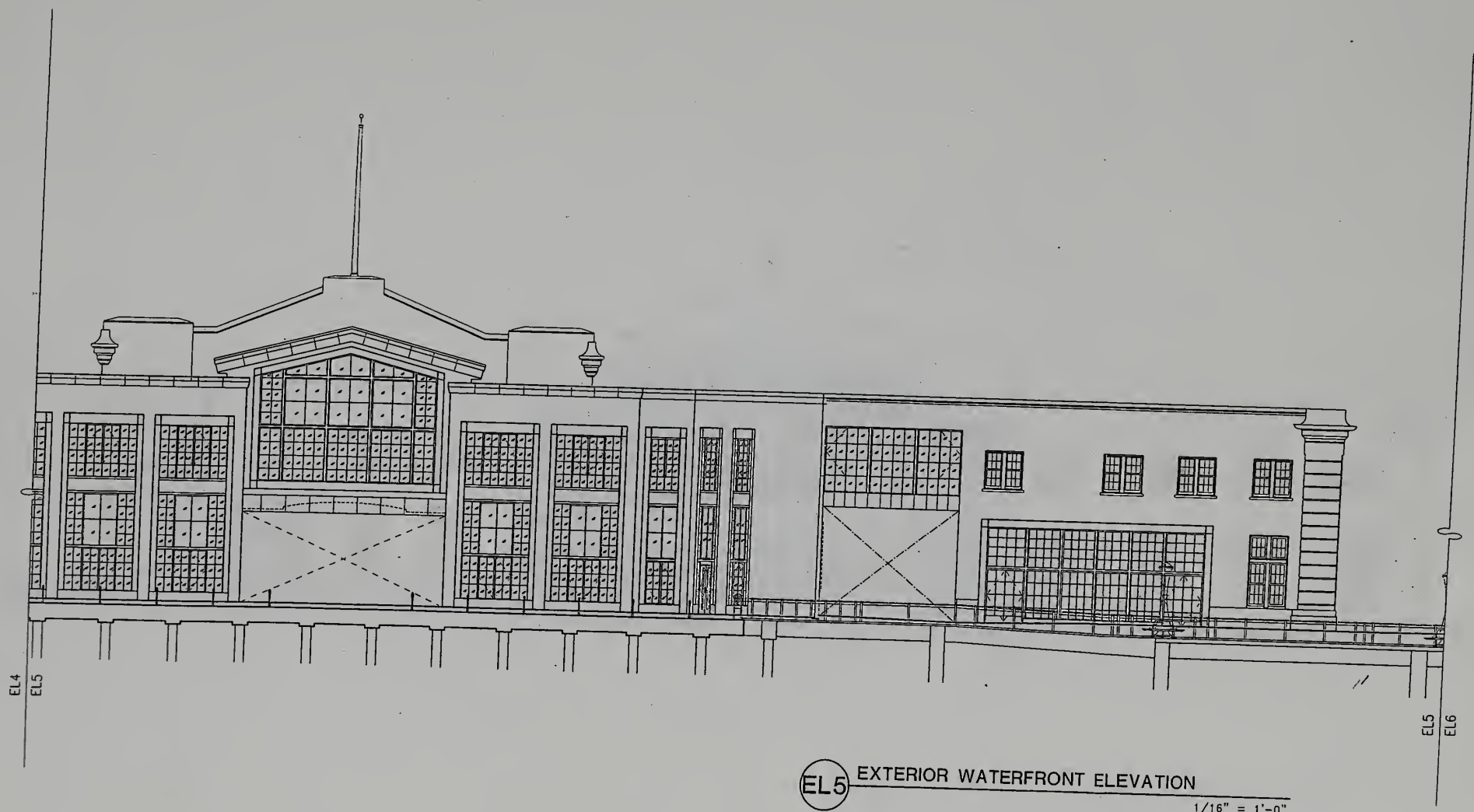

EL5 EXTERIOR WATERFRONT ELEVATION

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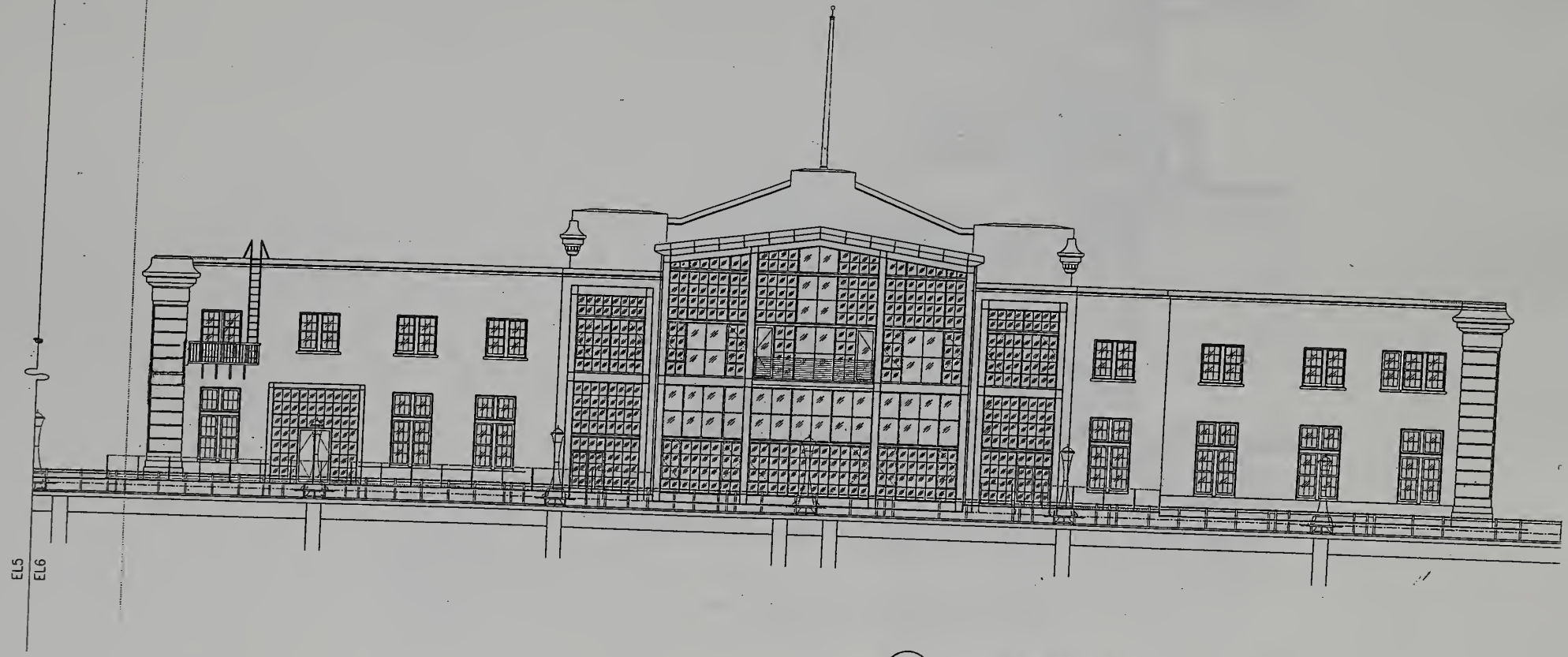

EL6 EXTERIOR WATERFRONT ELEVATION

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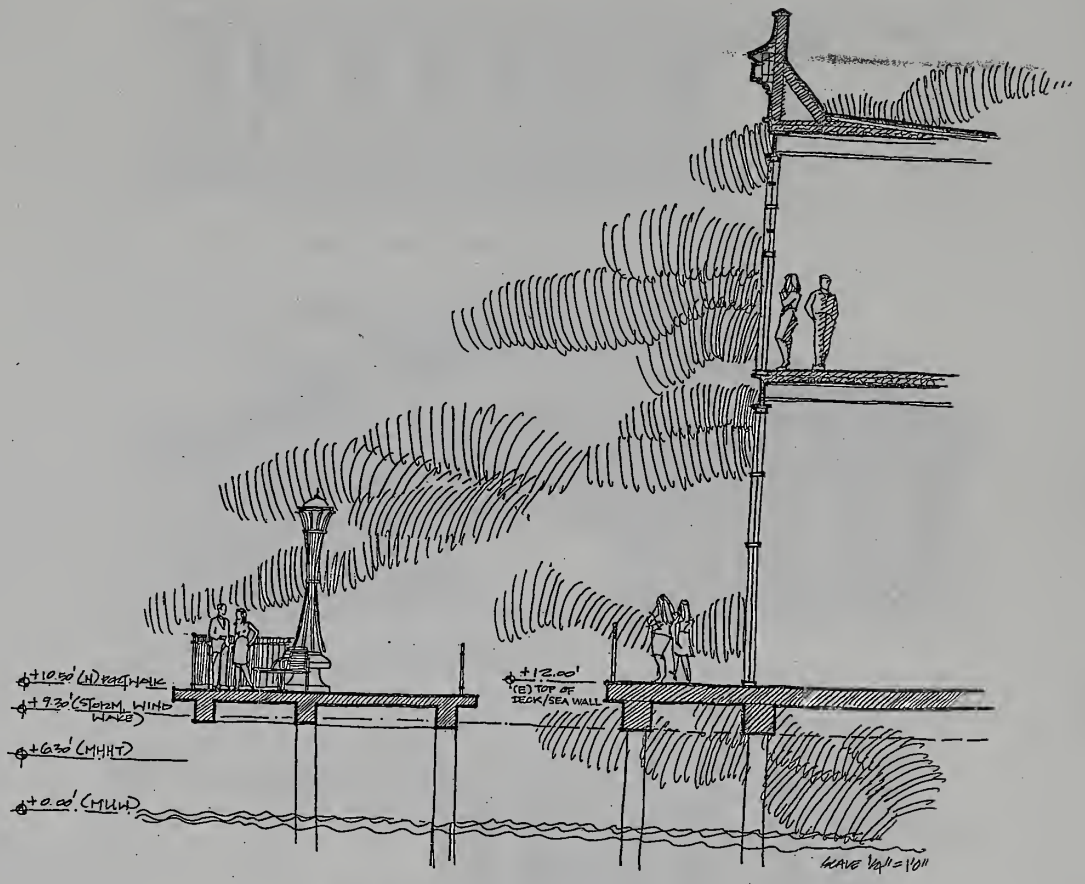

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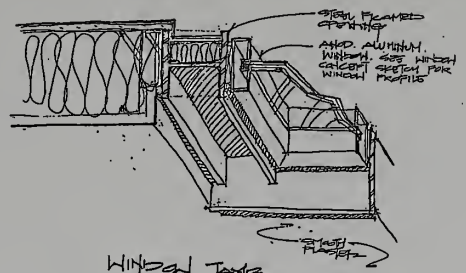

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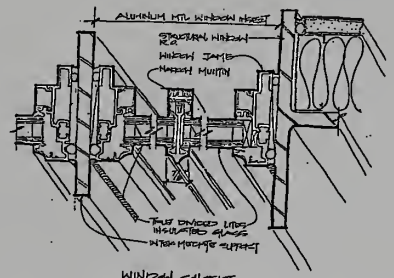
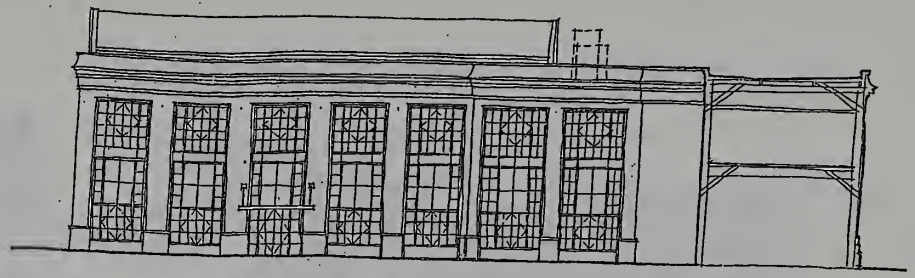
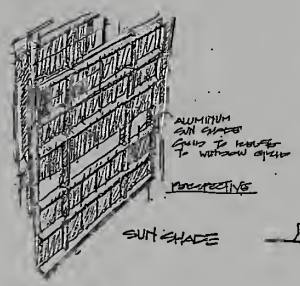


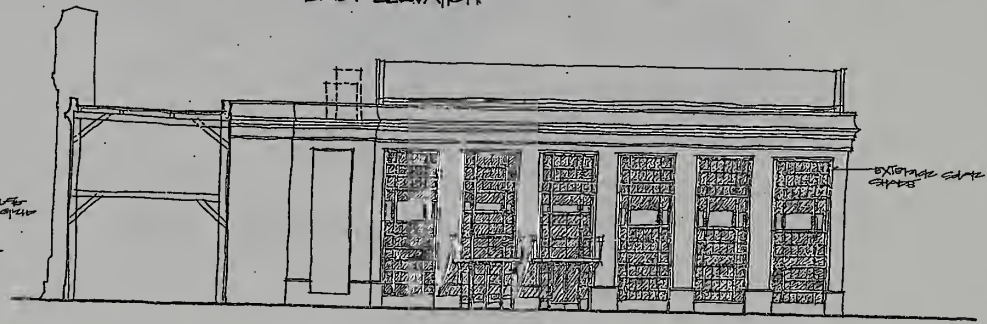
WINDOW CALCEPT



PIER 3 SHED- NORTH ELEVATION 02.27.02

EAST ELEVATION





SOUTH ELEVATION- PIER 3 SHED

H A N
ASSOCIATES

ARCHITECTURE / CORPORATE INTERIOR DESIGN
[illegible]

CONSULTANTS:

STAMPS

THE PIERS

PIERS 1.5, 3 & 5
SAN FRANCISCO, CALIFORNIA

NO.	ISSUE	DATE	BY
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PRELIMINARY
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PROJECT NUMBER: 0010.03
FILE: P:\CAD\DRWGS\0010\03\ARCH\0010-03.DWG
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SHEET NUMBER:

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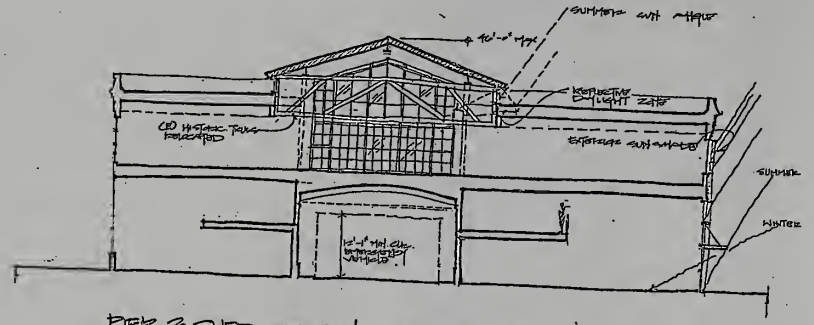

PIER 3 SHED SECTION - NORTH/SOUTH

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ASSOCIA

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STAMP

THE PIERS

PIERS 1.5, 3 & 5
SAN FRANCISCO, CALIFORNIA

NO.	ISSUE	DATE	BY
	ISSUE FOR CONSULTANT REVIEW	03.19.14	
	HDRC PRE-SUBMITTAL	05.09.14	

PRELIMINARY

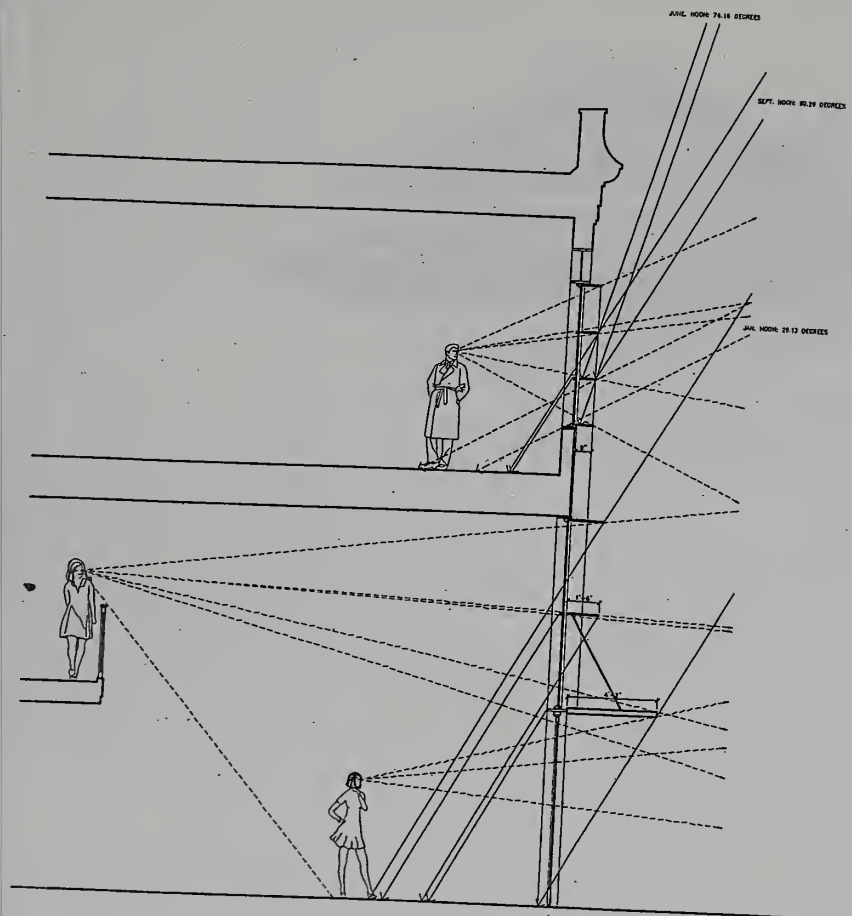
NOT FOR CONSTRUCTION

NO.	ISSUE	DATE	BY

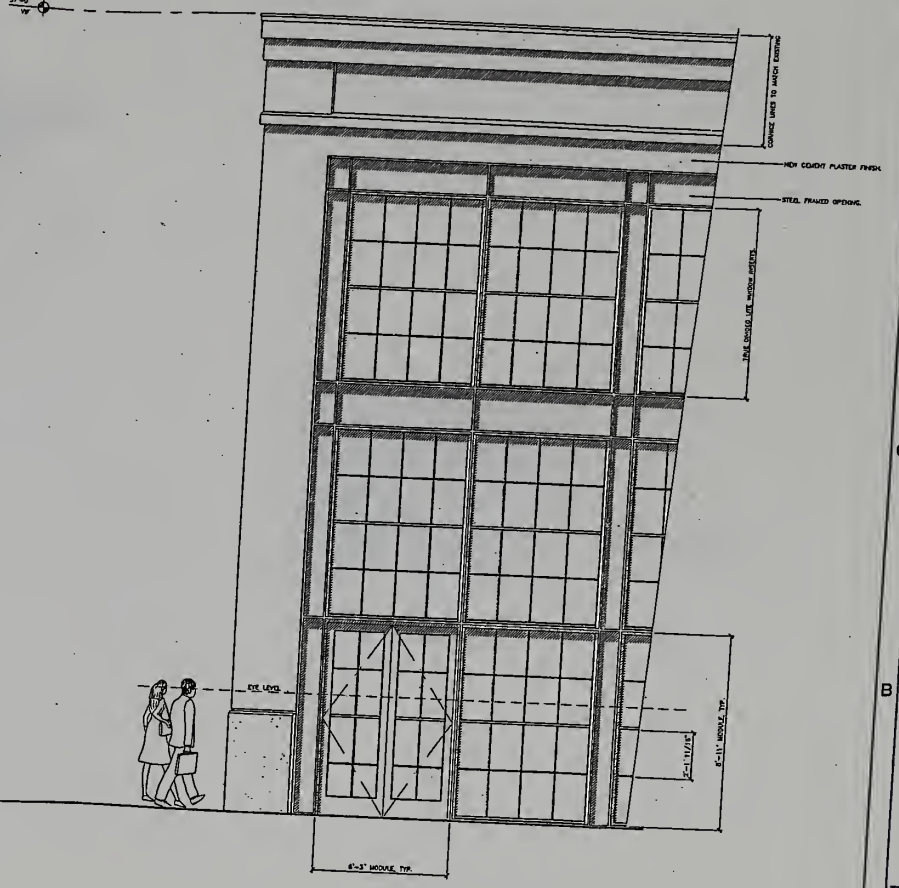
PROJECT NUMBER: 0012.14
FILE: P:\CAD\STAGE\0012.14\ARCH\SHEETS\
SCALE:

SHEET TITLE:
PIER 3
BUILDING
SECTIONS

SHEET NUMBER:



A8 PIER 3 SOUTH SUNSHADE AND VIEW STUDY
1/2" = 1'-0"



A3 PARTIAL PIER 5 BAY ELEVATION, TYP.
1/2" = 1'-0"

HANNU
ASSOCIATES

ARCHITECTURE / CORPORATE INTERIORS

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STAMPS

THE PIERS

PIERS 1.5, 3 & 5
SAN FRANCISCO, CALIFORNIA

NO.	ISSUE	DATE	BY
12	MOAC PRE-SUBMITTAL	05.07.02	HA

NO.	ISSUE	DATE	BY

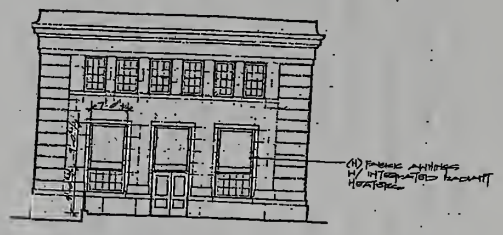
PROJECT NUMBER: 021328
FILE: P:/CADD/DWGS/021328/ARCH/DWGS/
SCALE: AS NOTED

SHEET TITLE:

PART. PIER 5
ELEV. & PIER 3
WALL SECTION

SHEET NUMBER:

CAFE PATIO @ PIER 5 - NORTH



PIER 5 - NORTH ELEVATION

Attachment — Page 14 of 14

PRELIMINARY

NOT FOR CONSTRUCTION

THE PIERS

PIERS 1, 3 & 5
SAN FRANCISCO, CALIFORNI

PIER 5
NORTH ELEV & PERSPECTIVE

PORT COMMISSION
CITY & COUNTY OF SAN FRANCISCO

RESOLUTION NO. 03-17

WHEREAS, In 1997, the San Francisco Port Commission ("Commission") adopted the Port of San Francisco Waterfront Land Use Plan, including the Design and Access Element (collectively, the "Waterfront Plan") after an intensive seven year planning process that culminated in the Board of Supervisors and Planning Commission adopting conforming amendments to the City's General Plan and Planning Code; and

WHEREAS, After a multi-year cooperative process, the Port Commission and the Bay Conservation and Development Commission ("BCDC") adopted amendments to BCDC's San Francisco Bay Plan and BCDC's San Francisco Waterfront Special Area Plan ("Special Area Plan") in August 2000, which allowed for the redevelopment of certain piers for uses consistent with the public trust; and

WHEREAS, In 2001, through AB 1389, the State legislature ratified the Special Area Plan as necessary to the health, safety and welfare of the public in the entire Bay Area, and declared that the Special Area Plan should provide for, among other things, a historic preservation mechanism to ensure preservation of important historic resources on the piers, and the ability of the Port to repair, improve, or use the piers not designated for removal between Pier 35 and China Basin for any purpose consistent with the Burton Act, the public trust and the Special Area Plan; and

WHEREAS, The Special Area Plan contains policies to allow for the repair and rehabilitation of existing piers, pier sheds, bulkheads and connector buildings that are listed on the National Register and/or listed as a California Historic Landmark, consistent with the Secretary of the Interior's Standards; and

WHEREAS, The Waterfront Plan includes Piers 1½, the Pier 3 bulkhead and shed building, and the Pier 5 bulkhead/connector building (collectively, the "Piers Project") within the Ferry Building Mixed Use Opportunity Area (the "Ferry Building Area"); and

WHEREAS, The Special Area Plan includes Piers 1½, 3 and 5 as Piers Not Designated for Removal, and sets forth criteria designed to encourage historic preservation and increased public access, including creation of a continuous PortWalk and a Bayside History Walk; and

WHEREAS, A primary objective for the Ferry Building Area is the preservation and restoration of historic structures, both to recall the area's historic use and to accommodate new uses, which objective is summarized in the Waterfront Plan as follows:

"A central objective for this area is the preservation and restoration of historic structures.... The area objectives promote waterborne commute and recreational travel and enjoyment, and the restoration of the area as a major intermodal transit center for the City. To complement existing and new ferry, excursion boat, water taxi, historic ship and recreational boat moorings, other commercial and public uses are permitted.... Together, these uses should emphasize the civic importance of the area... and establish the area as a destination in its own right. The ...Plan emphasizes the importance of ensuring that the Ferry Building and environs are physically and visually integrated with their spectacular City and Bay settings, thus re-establishing the area as a gateway to the City. This includes extending the Port Walk through the area to provide more convenient, direct and aesthetically pleasing public access connections to open space and the Bay. The high cost of renovating the Ferry Building and other historic structures in the area will require the Port to pursue a mix of public and private resources in order to achieve an appropriate quality and mix of uses. Fortunately, because of its central downtown location, the Ferry Building Waterfront offers perhaps the best opportunity for a successful public and private partnership to provide new public amenities, jobs and other benefits to the Port, the City and the region." (Waterfront Plan, Executive Summary at p.10.); and

WHEREAS, The Waterfront Plan in the introduction to the Ferry Building Area also states:

"The bulkhead and connector structures of Piers 1 through 5 are visually connected with the Ferry Building, adding to the strong architectural and historic character of this area. These structures were also previously cut off from the City by the Embarcadero Freeway. These buildings, together with the Ferry Building and Agriculture Building, will be preserved according to the Secretary of thee Interior's Standards for Historic Rehabilitation and will become even more prominent as a result of the roadway and open space improvements planned for the area. (Waterfront Plan, The Ferry Building Waterfront, p. 119); and

WHEREAS, The Waterfront Plan for the Ferry Building Area includes as an objective the provision of maritime facilities for ferry and excursion boats, recreational boats, historic ships and ceremonial berthing, stated as follows:

"In particular, because of its close proximity to transit and downtown, this area is a prime location for: ...(2) excursion boat operations that require high visibility and close proximity to downtown; (3) historic ships and ceremonial ships to draw people to the waterfront; and (4)

recreational boat moorings to permit boaters to stop and enjoy downtown San Francisco for the day. Additionally, this area offers a prime opportunity to accommodate new modes of waterborne transportation, including water taxis ... because of its proximity to the downtown commuter, business and tourist centers." and

WHEREAS, The Waterfront Plan for the Ferry Building Area includes as another objective, to provide a mix of uses that emphasizes the civic importance of the area, generates waterfront activity and services San Franciscans and visitors alike, stated as follows:

"...the Ferry Building Waterfront should host an exciting array of maritime, commercial, civic, open space, recreation and other waterfront activities....The area should provide both a place for downtown workers to enjoy lunchtime or after hours activities, as well as a destination for other San Franciscans and visitors who might not ordinarily come to the area during the course of their daily routine. New uses should generate activity during evening and weekends to complement the weekday office uses in the adjacent downtown" and

WHEREAS, The Waterfront Plan for the Ferry Building Area includes as another objective the extension of the PortWalk through the area, providing more convenient direct and aesthetically pleasing public access connections to open space areas and the Bay; and

WHEREAS, The Waterfront Plan for the Ferry Building Area includes the following Development Standards:

- *Promote activities in and around Pier 1 and 3 which enhance, complement and benefit from the existing uses in the area and the transportation-related functions planned for the Ferry Building;*
- *Carefully locate any recreational boating activities to avoid navigation and operational conflicts with waterborne transportation;*
- *Encourage cafes along The Embarcadero to take advantage of afternoon sun on the north side of The Embarcadero and pedestrian activity on the PortWalk along the Embarcadero Promenade;*
- *Preserve the Piers 1, 1½ , 3 and 5 bulkhead and connector buildings according to the Secretary of the Interior's Standards for Historic Rehabilitation and allow for improvements in visual and physical access to the waterfront as further described in the Waterfront Design and Access Element;*
- *Provide new uses near Pier 7 to further activate Pier 7 and take advantage of its prominence;*

- *Extend a waterside PortWalk from Pier 1 to the Promenade, where it would not interfere with ferry and excursion operations;* and

WHEREAS, The Port Commission is successfully implementing these objectives of the Waterfront Plan as described in more detail in Attachment 1, attached to this Resolution, and made a part hereof; and

WHEREAS, In order to further implement the objectives of the Waterfront Plan for the Ferry Building Area, the San Francisco Port Commission ("Commission") wishes to preserve and restore the Piers Project pursuant to the objectives, development standards and design criteria set forth in the Waterfront Plan; and

WHEREAS, The Piers Project are critically in need of rehabilitation, are currently condemned as being unsafe for occupancy, and approximately $10 Million in substructure repairs alone; and

WHEREAS, Since publication of the Waterfront Plan, the Piers Project has been listed on the National Register of Historic Places, as the Central Embarcadero Piers Historic District consisting of Pier 1, and Piers 1½, 3, and 5; and

WHEREAS, On March 10, 2000, the Port issued a Request for Proposals ("RFP") to lease and develop the Piers Project; and

WHEREAS, Three proposals were received in response to the RFP on August 31, 2000, and these proposals, as well as additional information requested by Port staff, were reviewed and evaluated by Port staff, including independent investigations by an outside team of qualified consultants; and

WHEREAS, Based upon this review and evaluation, Port staff recommended the proposal from San Francisco Waterfront Partners, LLC ("SFWP") as best meeting the project objectives in the RFP, including having the least amount of new construction and office space in proportion to the public trust uses provided; and

WHEREAS, The Port Commission, by Resolution No. 01-05, awarded to SFWP the opportunity to enter into an exclusive right to negotiate with the Port, which Exclusive Right has been extended through April 30, 2003 with an option to extend an additional three months if the Board of Supervisors has not approved the Lease by that time; and

WHEREAS, During the term of the Exclusive Right, SFWP and Port staff have negotiated the terms of a Lease Disposition and Development

Agreement ("LDDA") and 50-year Lease, with one 16-year option to extend the term (the "Lease"), and have developed the Schematic Drawings for the Piers Project consistent with the RFP and the Waterfront Plan Objectives, Development Standards, and Design Criteria applicable to the Ferry Building Area and the Piers Project; and

WHEREAS, The Waterfront Plan identified historic preservation as the "central objective" for the Ferry Building Area because the Port's most significant historic resources are concentrated there, and preservation will ensure an aesthetic character that will promote maximum public use of the multi-million dollar, publicly funded, Downtown Ferry Terminal, waterfront transportation and public access and open space improvements; and

WHEREAS, The Piers Project is of great historic importance both for its unique role in San Francisco's maritime history, as well as for its architectural merit; and

WHEREAS, The Piers Project was originally constructed during the period between c.1890 and c.1925, and is typical of structures of the period, having a bulkhead front structure originally used for maritime-supporting office, and a rear finger pier, including railroad tracks entering through the major openings along the Embarcadero; and

WHEREAS, Along with freight traffic, San Francisco's waterfront was the embarkation and debarkation point for many passenger vessels traveling throughout the waterways of California and the world, and Piers 1½, 3 and 5, in conjunction with Pier 1 and the Ferry Building, played important roles within the passenger transportation history of the waterfront, including serving as the home for two passenger shipping lines serving the interior of the state, from the Sacramento Delta to the San Joaquin and Sacramento Valleys; and

WHEREAS, Piers 1½ and 3 are two of the oldest surviving structures along the San Francisco waterfront; and

WHEREAS, The Pier 1½ shed is unique along the waterfront, constructed specifically to be a passenger waiting room, and from Pier 1 ½ and 3, passenger ships loaded and unloaded both passengers and freight, including the *Capital City* and the *Fort Sutter* and later the *Delta King* and *Delta Queen*, legendary paddle-wheel steamboats that ran overnight passengers from Sacramento to San Francisco from 1927 to 1940; and

WHEREAS, As a group, the Piers Project, with their neo-classical bulkheads fronting on The Embarcadero, represent the most elaborate "City Beautiful" composition to be realized in San Francisco outside of Civic Center, a National Historic Landmark District, representing a substantial, significant, and largely intact portion of this original architectural composition; and

WHEREAS, The Piers Project in their current dilapidated state are in risk of imminent collapse, and will be lost forever; and

WHEREAS, The LDDA and the Lease present a rare opportunity to preserve an example of the maritime transportation terminal architecture of that era with its integrity of location, design, setting, materials, workmanship, and the presence of many of the original architectural features and details; and

WHEREAS, Although historic preservation of the Piers Project adds substantially to the rehabilitation cost, such preservation is called for in the Waterfront Plan and Special Area Plan, and is supported by the San Francisco General Plan, which in its Urban Design Element calls for preserving notable landmarks of historical, architectural or aesthetic value, and the Commission concludes that such rehabilitation is the highest and best use of the transferred lands consistent with the trust under which the lands are held; and

WHEREAS, The Port and SFWP are committed to a project that would meet the Secretary of the Interior's Standards and, therefore, be eligible for historic preservation tax credits, consistent with the Waterfront Plan and San Francisco General Plan policies intended to preserve the strong architectural and historic character of this notable historic district; and

WHEREAS, The abundant public open spaces and open water areas included as part of the Piers Project provide ample and unprecedented opportunities for the public to observe, enjoy and appreciate the historic elements of the Piers Project from all angles, including the following:

- *three public entries to Pier 1½ that provide access to both the Bulkhead Building and the old Delta Lounge, including a public access way between Piers 1½ and 3 that will be designated as a continuation of the Bayside History Walk from Pier 1, and which will be opened for pedestrian public access.*
- *the restoration of the Pier 1½ Historic Lobby that allows visitors to enter the building from The Embarcadero and access one of several public destinations: the proposed Oyster Bar*

within the Bulkhead Building, the Bayside History Walk extending from the south end of Pier 1½ to the northern end of Pier 3, the restaurant within the old Delta Lounge, the Pier 1½ water taxi and transient berthing dock, and the PortWalk.

- *preservation of the historic façade of the Pier 1½ building, which will also be punctuated with windows on the north and south elevations compatible with the existing windows, allowing a strong visual connection between the public experiencing the PortWalk and the workings of the restaurant kitchen to be located there.*
- *provision of additional seating located to the east at the outdoor dining area that will allow the public to experience the maritime activities associated with the Bay, and view the interior of the old Delta Lounge as originally designed.*
- *restoration of the old Delta Lounge in accordance with its original historic fabric, including consideration of non-invasive, transparent structural and mechanical solutions within the space.*
- *design of the proposed PortWalk to separate public pedestrian users from private occupants and allow the public to view the waterside exterior elevations of Piers 1½, 3, and 5 and the existing interior structural and finish elements within the buildings, including visibility of the Pier 3 Shed Building's existing trusses and monitor, and Pier 5's wood timber structural system.*
- *use of the Bayside History Walk between the Bulkhead and Shed Buildings at Piers 1½ and 3 for display of historic images, models, interactive exhibits, and use of clear glazing to allow a visible connection through the glazing to the existing east façade of the Pier 1½ Bulkhead Building for the public to view.*
- *preservation at Pier 3 of the interior wood trusses, which will be visible from the PortWalk and from the open portion of Pier 3 outside the Pier 3 Shed building at the east end.*
- *Restoration of the existing railroad tracks reminiscent of the cargo trains at Pier 3.*
- *renovation of the north end of Pier 5, conversion into a café with outdoor seating for the public, and design of the eastern facade wall to provide maximum visibility of the interior structure, consistent with the Secretary of Interior Standards; and*

WHEREAS, The proposed Piers Project offers major public access opportunities, including the following:

- *When complete, the Piers Project will increase existing public access areas by approximately 31,000 gsf, for a total of approximately 43,000 gsf of public access.*
- *the proposed design maximizes visual cues, physical openings and public-oriented commercial uses to encourage pedestrians to filter through the Bulkhead buildings to access the Bay.*
- *The Piers Project will complete a substantial piece of the Port's new bayside walkway, called the PortWalk, as called for in the Special Area Plan. The PortWalk will extend around the perimeter of the proposed project and is differentiated from other pedestrian ways by a stamped concrete decking surface.*
- *The northern entry to the PortWalk will begin at an improved and expanded public plaza at the foot of Pier 7, a popular public fishing pier. The Pier 7 Plaza provides access to the PortWalk and Pier 7, and is also an active public space. The PortWalk drops below the existing pier level and allows the pubic to walk closer to the Bay, observe the historic buildings both above and below deck; and*

WHEREAS, The Piers Project will promote important maritime activities, including the following:

- *The proposed project will add water taxi service, and will provide transient berthing to accept the loading and unloading of private boats.*
- *Public access to the FerryBoat Santa Rosa, a historic passenger ship, will be improved with the inclusion of a large glass wall, a café and a street-side ticket office at the northern entrance to Pier 3.*
- *The PortWalk will be designed to provide temporary and ceremonial berthing for historic ships and large visiting yachts.*
- *The Piers Project includes an estimated $10 million of seismic and structural improvements, including repair of the Pier 3 marginal wharf and pier substructure that will preserve and improve access to the Pier 3 Hornblower maritime complex, including the historic Ferry-Boat Santa Rosa, ensuring that the Port can retain maritime operations on Pier 3; and*

WHEREAS, The Piers Project will support many opportunities for public enjoyment of the waterfront, an important component of which is realized through waterfront-oriented cafés and restaurants that will attract visitors to the Bay, affording views of the Bay and the historic elements of the buildings; and

WHEREAS, The Piers Project will allow the Port an opportunity to expand its administrative offices into the bulkhead buildings of Piers 1½ and 3, adjoining the Port's offices at Pier 1; and

WHEREAS, Time is of the essence if efforts to rehabilitate the Piers Project consistent with historic preservation standards are to be accomplished with the least cost burden to public trust resources because any major rehabilitation of the facility has been deferred for many years to such a point that failure to rehabilitate the buildings in the very near future will mean permanent loss of these important historic structures; and

WHEREAS, If the Port is unable to take advantage of private investment to rehabilitate the Piers Project, with sufficient economic potential to make its historic rehabilitation feasible, the facilities will not be restored and the proposed trust activities will not occur; and

WHEREAS, The Waterfront Plan recognizes that the Ferry Building Area was uniquely appropriate to attract private capital to invest in historic preservation of maritime facilities due to the proximity to the San Francisco Financial District and the large public investment in nearby transportation and open space amenities; and

WHEREAS, The mixed use occupancy of the Piers Project, as provided in the Lease, with mostly upper level offices and ground level, restaurant-oriented retail, would best support the trust objectives of preserving and rehabilitating the Piers Project and improving public access and use because it is the highest economic use consistent with the architectural limitations of this maritime and office facility which no longer requires the second floor shipping office facilities which it originally contained; and

WHEREAS, Ground level restaurant-oriented commercial retail and dining establishments promotes the Port's overall program of improvements for the Ferry Building Area, integrating the facility with its spectacular City and Bay settings and re-establishing the area as a gateway to the City, by providing an attractive venue within which workers, residents and visitors to the City may find an intimate waterfront dining environment, transient berthing facilities for recreational vessels, and a high-quality public access network providing close views of the water and the historic structures; and

WHEREAS, Office use at the Piers Project promotes the Port's overall program of improvements for the Ferry Building Area by providing expansion opportunities for the Port, creating new first class office space for other office tenants, which promotes the safety and security of the

buildings, as well as providing users for the restaurants and public amenities provided by the Piers Project; and

WHEREAS, The level of office use proposed is incidental to the myriad trust benefits provided within the Piers Project and the Ferry Building Area, and is a minor increase in the existing level of office space within the Piers Project, but is essential to the program for the rehabilitation of the Piers Project; and

WHEREAS, The Commission must conserve Port revenues to subsidize those maritime uses and public improvements for which private investment is not economic and therefore the Port can not directly fund all necessary capital improvements to repair historic Port facilities such as the Piers Project (with an estimated project cost of $44 million); and

WHEREAS, The Port Commission has complete authority to do all things it deems necessary in connection with the use, conduct, operation, management, maintenance, regulation, improvement and control of the harbor of San Francisco which are not prohibited by State law or the City Charter and which are in conformance with the Burton Act, including reconstruction and repair of public or commercial buildings, preservation or restoration of marine resources, and the lease of said facilities for limited periods not exceeding 66 years for purposes consistent with the trusts upon which the lands are held by the State and with the requirements of commerce and navigation, all as provided in Section 3 of the Burton Act; and

WHEREAS, The California Supreme Court has upheld the lease of trust lands to private interests to achieve trust purposes; and

WHEREAS, Section 3 of the Burton Act authorizes the Port Commission to enter into 66 year leases provided that the revenues from such leases shall be used for purposes consistent with the trust; and

WHEREAS, The Commission, by its approval of the LDDA, Lease and Schematic Drawings, is acting within the scope of the authority granted by Section 3 of the Burton Act because the LDDA, Lease and Schematic Drawings are necessary to accomplish the myriad goals of historic preservation, promotion of maritime uses, and promotion of public enjoyment of the waterfront, all in furtherance of the policies and objectives of the Waterfront Plan, which are purposes consistent with the trusts upon which the lands are held by the State and with the requirements of commerce and navigation, as well as with the Burton Act, and are not prohibited by State law or the City Charter; and in so finding the Commission is acting consistent with the public trust

doctrine as established in California case law and attorney general decisions; and

WHEREAS, Section 5 of the Burton Act provides that the Commission has authority to use revenues accruing from the use of the transferred lands for the purpose of reconstruction or repair of bulkheads and piers necessary for the development of the transferred lands for highest and best use in the public interest, provided that such purpose complies with the terms of the trust which are matters of statewide as distinguished from local or purely private interest and benefit; and to promote maximum public use of the transferred lands and encourage private investment in development of such transferred lands for the highest and best use in the public interest; and

WHEREAS, The Lease is for a term of 50 years, with one extension option of 16 years, and revenue from the Lease will be used for such purposes as may be established through the Port and City budget and fiscal process intended to ensure that Harbor Fund revenues are expended for trust purposes as required under the Burton Act; and

WHEREAS, The Commission, by its approval of the LDDA and the Lease, acts within the scope of authority granted by Section 5 of the Burton Act, because Port revenues derived from the transferred lands are being used:

(1) to preserve, reconstruct and repair the Piers Project which (a) promotes statewide, as distinguished from local or purely private, interest and benefit by preserving and restoring an historically and architecturally significant maritime trust asset as part of an integrated and highly beneficial program of development of the Ferry Building Area intended to promote statewide interests by encouraging waterborne transit, improving navigation in the Harbor and enhancing public use and enjoyment by preserving the historic maritime aesthetic qualities of the Ferry Building Area properties, and (b) is necessary for the development of the Piers Project for the highest and best use in the public interest ---which is a unique mix of public trust uses described herein;

(2) to promote maximum public use of the transferred lands in the Ferry Building Area by: (a) achieving the preservation of the historic Piers Project; (b) enhancing the public's enjoyment of the historic maritime aesthetic of the Ferry Building Harbor Area in general, and the Piers Project in particular; (c) creating additional public access through the interior and on the exterior of these historic structures, thereby achieving the Port's design plan for public access to the Ferry Building Area and attracting the public to enjoy the views of the harbor and to learn about and appreciate the historic maritime

functions; and (d) providing ground floor uses drawing members of the public to enjoy the shoreline; and

(3) to encourage private investment in development of such transferred lands for the highest and best use in the public interest by soliciting, through a competitive process, the participation of SFWP to fund the approximately $44 million investment required to reconstruct and repair the historic maritime facilities for a unique mix of trust purposes; and

WHEREAS, The LDDA and the Lease are consistent with the Special Area Plan, and further the Special Area Plan's objectives by rehabilitating the historic buildings and providing significant public access, including the PortWalk and Bayside History Walk, as described above; and

WHEREAS, The Piers Project is generally consistent with the Waterfront Plan's designation of acceptable land uses for the Piers Project, including commercial uses such as assembly and entertainment, general offices, retail and recreation uses, visitor services, and public access, and the maritime components of the proposed Piers Project are consistent with the Waterfront Plan, which expressly permits maritime uses at any Port property; and

WHEREAS, The use of Pier 3 for general office requires an amendment to the Waterfront Plan "Ferry Building Waterfront Acceptable Land Use Table"; and

WHEREAS, Given the high level of trust-consistent uses within the Piers Project, the Port Commission finds that an incidental amount of office use located within the bulkhead buildings and on Pier 3 is essential to the program for the rehabilitation of the Piers Project, is a minor increase in the existing level of office space within the Piers Project, and the allowance of incidental office space within Pier 3 is consistent with the overall goals and objectives of the Waterfront Plan; and

WHEREAS, The use of Piers 1½ and Pier 5 for public access requires an amendment to the Waterfront Plan "Ferry Building Waterfront Acceptable Land Use Table" that would allow for public access on those Piers; and

WHEREAS, Because public access at Piers 1½ and Pier 5 is a major element of the Piers Project, and furthers the objectives of the Waterfront Plan and the Special Area Plan, the Waterfront Plan should be amended to allow for public access at Pier 1½ and Pier 5; and

WHEREAS, The Piers Project is consistent with the San Francisco General Plan's Northeastern Waterfront Plan ("Northeastern Waterfront Plan")

objectives and policies designed to contribute to the waterfront's environmental quality, enhance the economic vitality of the Port and the City, preserve the unique maritime character, and provide for the maximum feasible visual and physical access to and along the Bay because the project rehabilitates the Piers Project and provides significant maritime opportunities for recreational vessels and water transit, as well as supporting the excursion vessel activities at Pier 3; and

WHEREAS, The Piers Project is consistent with the Northeastern Waterfront Plan's Urban Design policies calling for retention of older buildings of architectural merit or historical significance to preserve the architectural and historical character of the waterfront and ensure the compatibility of new development, and, more specifically calling for retention of the Piers Project which policies are met by this project's adaptively reusing this historic structure consistent with the Secretary's Standards; and

WHEREAS, The LDDA provides for the close of escrow and initiation of construction on the Piers Project as early as June 1, 2003, in order to accomplish the objectives herein set forth; and

WHEREAS, The opportunity to preserve and restore the Piers Project will be lost if the rehabilitation work and lease-up is not accomplished as soon as possible; and

WHEREAS, The Commission hereby adopts the following findings with respect to the Final Mitigated Negative Declaration for the redevelopment of Piers 1 ½, 3 and 5 (the "Project"), case file no. 2001.0448E:

1. The San Francisco Planning Department ("Department"), fulfilled all procedural requirements of the California Environmental Quality Act (Cal. Pub. Res. Code Section 21000 et. seq. "CEQA", the State CEQA Guidelines (Cal. Admin. Code Title 14, Section 15000 et. seq., "CEQA Guidelines") and Chapter 31 of the San Francisco Administrative Code ("Chapter 31"), and

2. On April 20, 2002, the Department issued a Preliminary Negative Declaration, and in accordance with CEQA, the CEQA Guidelines, and Chapter 31, the Department posted the document in the Department offices, and mailed a copy of the document to the project sponsor. The Department provided notice of the preparation of the Preliminary Negative Declaration in a newspaper of general circulation and this notice was mailed to the Department's list of persons requesting such notice, and

3. In accordance with CEQA § 21091(b) and CEQA Guidelines § 15073, the Preliminary Negative Declaration was available for a 30-day public review period, and

4. Comment Letters were received in response to the Preliminary Negative Declaration from Hornblower Yachts, Inc., Tim Kelley, and the California Historical Resource Information System. The department responded in writing to the letters, and comments from the letters were integrated into the Final Mitigated Negative Declaration, and

5. No appeal of the Preliminary Declaration was filed with the Department, and

6. The Department prepared the Final Mitigated Negative Declaration, which was adopted and issued on May 31, 2002; and

7. The Piers Project is within the scope of the Final Mitigated Negative Declaration, an addendum to the Final Mitigated Negative Declaration is not required and pursuant to CEQA Guidelines Sec. 15162, (1) no substantial changes are proposed which would require major revisions to the Final Mitigated Negative Declaration; (2) no substantial changes have occurred with respect to the circumstances under which the Project is being undertaken which would require major revisions in the Final Mitigated Negative Declaration; and (3) no new information of substantial importance, which was not known or could not have been known at the time the Final Mitigated Negative Declaration was adopted, has become available, and

8. Since the Final Mitigated Negative Declaration assumed that the rehabilitation of the Piers Project would comply with the Secretary of the Interior's Standards, and since the LDDA requires that the project qualify as a certified tax credit project meeting the Secretary of the Interior's Standards, the project will not result in any new significant impacts to cultural (historic and architectural) resources; and

WHEREAS, Port staff and SFWP have negotiated the terms of the LDDA and the Lease for the development of the Piers Project as a historic rehabilitation project with ground level commercial retail (restaurant use) and recreation and lower and upper level offices, the business terms of which are set forth in the memorandum for Agenda Item 6A for the Port Commission meeting of February 27, 2003; and

WHEREAS, As a material part of the negotiated transaction, Port staff and SFWP have negotiated the terms of a Parking Agreement coterminous with the Lease term, the business terms of which are set forth in the memorandum for Agenda Item 6A for the Port Commission meeting of February 27, 2003; and

WHEREAS, A copy of the proposed LDDA and its exhibits, including the Lease and the Parking Agreement, and the Final Mitigated Negative Declaration, is on file with the Commission Secretary; now; therefore, be it

RESOLVED, The Commission has reviewed and considered the Final Mitigated Negative Declaration and finds that it reflects the independent judgment and analysis of the Department, and the Commission finds that it is adequate, accurate, and objective, and that there is no substantial evidence that the Project will have a significant effect on the environment, and hereby adopts the Final Mitigated Negative Declaration; and be it further

RESOLVED, The Commission hereby adopts the mitigation and improvement measures and the mitigation monitoring program prepared for the Project, and attached hereto as Attachment 2; and be it further

RESOLVED, That the Commission hereby amends the Waterfront Plan as follows:

1. On page 128 of the October 2002 Republished Version of the Waterfront Plan, 5th bullet under Ferry Building Mixed Use Opportunity Area Development Standards, revise last line to state:

   "...stimulate reuse of ~~Piers 1 and 3~~ Piers 1, 1-1/2, 3 and 5."

2. On The Ferry Building Waterfront Acceptable Land Use Table, page 126 of the October 2002 Republished Version of the Waterfront Plan, add "A" under General Office for Pier 3; add "A" under Public Access for Pier 5 Pierhead/Bulkhead; and add "A" under Public Access for Pier 1-1/2 Pierhead/Bulkhead;

and be it further

RESOLVED, That the Commission approves the form and substance of the LDDA and the Lease and the transactions which the LDDA and the Lease contemplate, incorporating the business terms set forth in the Memorandum for Agenda Item 6A for the Port Commission meeting on February 27, 2003; and be it further

RESOLVED, That the Commission approves the form and substance of the Parking Agreement and the transactions which the Parking Agreement

contemplates, incorporating the business terms set forth in the Memorandum for Agenda Item 6A for the Port Commission meeting on February 27, 2003; and be it further

RESOLVED, that the Commission hereby approves the Schematic Drawings of the proposed Piers Project, as shown in the attachment to the Memorandum for Agenda Item 6A for the Port Commission meeting on February 27, 2003, a copy of which is on file with the Port Commission Secretary, and authorizes the Executive Director to approve non-material changes in the Schematic Drawings, including a change that would connect the PortWalk to the eastward side of the Piers Project buildings; and be it further

RESOLVED, That the Port Commission authorizes and directs the Executive Director of the Port (the "Executive Director") to forward the Lease document and Parking Agreement to the Board of Supervisors for approval, pursuant to its authority under Charter Section 9.118(c), and upon the effectiveness of such approval, to execute the LDDA, and subject to the terms of the LDDA, to execute the Lease, in substantially the form of such agreements on file with the Commission Secretary, and in such final form as is approved by the Executive Director in consultation with the City Attorney; and be it further

RESOLVED, That the Executive Director shall determine satisfaction of the conditions precedent under the LDDA to the conveyance of the leasehold estate in the Piers Project site, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of the Lease; and be it further

RESOLVED, That the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the LDDA and the Lease (including, without limitation, preparation and attachment of, or changes to, any or all of the exhibits) that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the City, do not increase the rent or otherwise do not materially increase the obligations or liabilities of the City, and are necessary or advisable to complete the transactions which the LDDA and the Lease contemplate and effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of the LDDA and the Lease and any such amendments thereto; and be it further

RESOLVED, That the Port Commission authorizes and urges the Executive Director and any other appropriate officers, agents or employees of the City to take any and all steps (including, but not limited to, the execution and

delivery of any and all certificates, agreements, notices, consents, escrow instructions, closing documents and other instruments or documents) as they or any of them deems necessary or appropriate, in consultation with the City Attorney, in order to consummate the transactions under the LDDA, in accordance with this resolution, or to otherwise effectuate the purpose and intent of this resolution, such determination to be conclusively evidenced by the execution and delivery by any such person or persons of any such documents; and be it further

RESOLVED, That the Port Commission approves, confirms and ratifies all prior actions taken by the officials, employees and agents of the Port Commission or the City with respect to the LDDA and the Lease.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 27, 2003.

_____
Secretary

ATTACHMENT 1

FERRY BUILDING AREA PLAN IMPLEMENTATION

The San Francisco Port Commission has undertaken the following actions in furtherance of an overall program of harbor development for the Ferry Building Area consistent with Waterfront Plan policies and objectives:

To *"[p]reserve and restore historic structures on the Ferry Building Waterfront, both to recall the area's historic use and to accommodate new uses"* the Commission has (1) entered into a Lease Disposition and Development Agreement and a Ground Lease with a competitively selected development team for the Ferry Building renovation consistent with Secretary of the Interior's Standards for Rehabilitation, and the building has been completely rehabilitated at a cost of over $80 Million; (2) entered into a Lease Disposition and Development Agreement and a Ground Lease with a competitively selected development team, AMB Property Corporation, for the historic preservation and adaptive reuse of Pier 1, and the building has been completely rehabilitated at a cost of over $50 Million; (3) obtained approval for listing the Pier 1 bulkhead building and piershed, and the Piers 1 ½, 3 and 5 bulkhead buildings and piershed on the National Register of Historic Places; (4) received Pier 1 certification, or approval, for conformance with the Secretary of the Interior's Standards for Rehabilitation and for Federal Historic Preservation Tax Incentives (20% rehabilitation tax credit); (6) selected a developer for the historic rehabilitation of Piers 1½ -3-5, consistent with the Secretary of the Interior's Standards for Rehabilitation.

To "[*p]rovide maritime facilities for ferry and excursion boats, recreational boats, historic ships, and ceremonial berthing*" the Commission has (1) funded $17 million and completed Phase I of the Downtown Ferry Terminal Project, adding two ferry berths, providing seismically secure access to those two and four other existing berths, and with Phase II, to be implemented as demand warrants, will add another four ferry berths; (2) endorsed the Bay Area Water Transit Initiative; (3) entered into a long-term lease with Hornblower Dining Yachts at Pier 3 to improve excursion boat opportunities in the Ferry Building area; (4) amended its related lease with Hornblower for the Santa Rosa, to assure the long-term continued presence of the historic ferry boat Santa Rosa at Pier 3; (5) has reserved to the Port the ability to control berthing of vessels for emergency, ceremonial and other purposes, and (6) has negotiated terms with the developer of Piers 1 ½, 3 and 5, for significant maritime amenities, including a public boat dock, recreational vessel mooring; and water taxi stand; and

To "[*p]rovide a mix of uses that emphasizes the civic importance of the area, generates waterfront activity and serves San Franciscans and visitors alike*" the Commission has: (1) dedicated land and entered into agreements with the City for the construction of the Mid-Embarcadero Improvements, the most important of which are a world-class public plaza on the land side of the Ferry Building and the extension of the Municipal Railway's F Line to improve public access by providing an inviting and efficient light rail link along the waterfront in historic American and European streetcars; (2) entered into a Lease for the Ferry Building, which will establish a mix of public, retail, and commercial activities on the ground floor which will attract the public to use waterborne transportation at the Downtown Ferry Terminal and to enjoy the San Francisco waterfront, with commercial office uses in the upper floors to support the overall program; (3) finalized negotiations with a developer for Piers 1½ -3-5 to create

ground level uses that would attract the public to enjoy the waterfront; and (4) promoted waterborne transit and recreation through its commitments to ferry service, excursion and historic boats in the area; and

To *"[e]xtend the Port Walk through the area, providing more convenient, direct and aesthetically pleasing public access connections to open space areas and the Bay*" the Commission has: (1) obtained a BCDC permit for Phase I of the Downtown Ferry Terminal Project which allows for a new public passageway through the Ferry Building from The Embarcadero, and creates continuous perimeter public access around the Ferry Building linking all ferry berths for a total of 36,000 square feet of new public access linking the Embarcadero Promenade (Herb Caen Way) and the Bay, (2) completed State and Federal environmental and historic preservation reviews for Phase II of the Ferry Terminal which will add another 34,000 square feet of new public access linking Herb Caen Way and the Bay, (3) obtained a BCDC permit for Pier 1 which creates continuous pier perimeter public access and two segments of a "Bayside History Walk" within the building, for a total of 44,000 square feet of new public access linking the Embarcadero Promenade (Herb Caen Way) and the Bay, and (4) finalized negotiations with the developer for Piers 1½ -3-5 to extend the Bayside History Walk and PortWalk from Pier 1 to Pier 7, ensuring significant new public access consistent with the Port's Waterfront Plan; and

To *"[r]estore the Ferry Building Waterfront as a major transit center by improving transit access and transfers among water and land transportation modes*" the Commission has: (1) dedicated public access and completed the Downtown Ferry Terminal improvements described above, (2) promoted intermodal transit connections by incorporating Amtrak's San Francisco station into first the Ferry Building and presently the Agriculture Building, (3) assisted the Golden Gate Bridge, Highway and Transportation District and the City of Vallejo in providing landside bus service in association with their ferry operations, and (4) has worked with the City and County of San Francisco ("City") to provide the historic streetcar "F-Line" in the median of The Embarcadero, the adjoining bicycle lanes, the generous Herb Caen Way pedestrian promenade, and the trackage connection between the F-Line and the MUNI Metro extension on The Embarcadero to enable a future "E-Line" running the length of The Embarcadero; and

To "*[p]rovide efficiently planned parking and loading facilities to serve new activities in the area*", the Commission has: (1) included parking, loading and passenger pick-up/drop-off bays on The Embarcadero, (2) is actively seeking parking solutions in the area, including potential sites at Assessor's Block 202 and Seawall Lot 351; and

To *"[p]hysically and visually integrate the Ferry Building and environs with their spectacular City and Bay settings*", the Commission has approved a Mid-Embarcadero design that creates strong connection with the adjoining Financial District and improved public access from Market Street to the Bay, with improvements such as decorative lighting, paving, railings, benches and other amenities to enhance the connections with the Bay; and

To *"[p]ursue a mix of public and private resources to achieve an appropriate quality and mix of uses*", the Commission (1) has pursued the above-cited improvements for the Downtown Ferry Terminal Project and Embarcadero Roadway Project, (2) has entered into the above-cited leases with Hornblower Dining Yachts, (3) has entered into a Development Agreement and 50-year lease for Pier 1, pursuant to which the developer

has successfully rehabilitated Pier 1 consistent with Secretary of Interior Standards, provided the Port with publicly-accessible offices, and continued the existing café use, (4) has entered into a Development Agreement and 66-year Lease with a private developer, who has successfully completed the historic rehabilitation of the Ferry Building to achieve maximum public use and the highest and best use in the public interest; and (5) has finalized negotiations for a Development Agreement and 50 year lease, with one 16 year option to extent the term, with a private developer for the historic rehabilitation of Piers 1 ½, 3 and 5.

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MITIGATION MONITORING AND REPORTING PROGRAM				
Mitigation Measure	**Text**	**Party Responsible for Mitigation**	**Party Responsible for Monitoring**	**Timing**
NOISE				
1 (Hours for Pile-Driving)	The project sponsor shall require the construction contractor(s) to limit pile-driving activity such that it results in the least disturbance to occupants and users of adjacent and nearby properties. Implementation of this measure may require the construction contractor(s) to obtain a permit for nighttime work from the Port Building Department if pile-driving during nighttime hours would be the least disruptive to these occupants and users.	Project Sponsor and Construction Contractor	Port: Engineering and Real Estate	During construction
2 (Hydraulic or Vibratory Pile Driver)	The project sponsor shall require the construction contractor(s) for the proposed project to use an hydraulic or vibratory pile driver, if feasible, and to use a state-of-the-art muffler and shield around the pile driver.	Project Sponsor and Construction Contractor	Port: Engineering and Planning & Development	During construction
3 (Notification of Pile-Driving)	At least 48 hours prior to pile-driving activities, the project sponsor shall notify building owners and occupants within 200 feet of the project site of the dates, hours, and expected duration of such activities.	Project Sponsor	Port: Planning & Development and Real Estate	Project Sponsor shall submit proof of notification prior to start of pile-driving activities.

ATTACHMENT 2

MITIGATION MONITORING AND REPORTING PROGRAM				
Mitigation Measure	**Text**	**Party Responsible for Mitigation**	**Party Responsible for Monitoring**	**Timing**
BIOLOGY				
4 (Herring)	To reduce potential impacts to Pacific herring during construction of the project, the project sponsor shall implement one of the following measures: 1) The project sponsor shall avoid pile-driving during Pacific herring spawning season (December 1 through March 31); or 2) If pile-driving in-water construction activities cannot be scheduled to avoid spawning season, the project sponsor shall enter into an agreement with the California Department of Fish and Game (CDFG), and a trained herring observer shall be employed with the authority to suspend construction if spawning activity is observed within a radius specified by CDFG.	Project Sponsor	CDFG and Port: Planning & Development	If pile driving cannot be avoided during the December 1-March 31 period, the project sponsor shall submit the required agreement with CDFG to the Port prior to the start of pile-driving activities.

MITIGATION MONITORING AND REPORTING PROGRAM				
Mitigation Measure	**Text**	**Party Responsible for Mitigation**	**Party Responsible for Monitoring**	**Timing**
5 (Bats)	Prior to demolition or renovation of any abandoned building between August 15 and October 15, or between February 1 and May 1, survey(s) shall be conducted during the same period by a qualified bat biologist. If no Townsend's western big-eared bats are found during the survey(s), no additional mitigation is required. If a Townsend western big-eared bat is found during an August to October survey, appropriate exclusion devices approved by CDFG and U.S. Fish & Wildlife Service (USFWS) shall be installed by a qualified bat biologist. Once the bats have been excluded, demolition may proceed. If Townsend's western big-eared bats are found during a February to May survey, demolition shall not take place until the end of the nursery season in August. Exclusion devices shall be placed by a qualified bat biologist in accordance with CDFG and USFWS.	Project Sponsor	Port: Environmental	Prior to demolition or renovation occurring between August 15 and October 15, or between February 1 and May 1
HAZARDOUS MATERIALS				
6 (Hazardous Building Materials)	All structures expected to have building materials removed during renovation or demolition should be inspected for hazardous building materials by a qualified inspector. Any PCB-containing equipment should be removed and properly disposed of, pursuant to the applicable federal, state, and local standards. Any creosote-soaked wood piles that are removed	Project sponsor and Construction Contractor	Port: Engineering and Environmental	Prior to the issuance of a demolition permit, the project sponsor shall submit proof that the project site has been

MITIGATION MONITORING AND REPORTING PROGRAM				
Mitigation Measure	**Text**	**Party Responsible for Mitigation**	**Party Responsible for Monitoring**	**Timing**
6 (cont.)	shall also be properly disposed of in accordance with applicable standards.			inspected and that all hazardous building materials have been identified. Prior to the issuance of a temporary certificate of occupancy, the project sponsor shall submit proof that all hazardous materials have been removed and properly disposed of in accordance with federal, state, and local standards.

MITIGATION MONITORING AND REPORTING PROGRAM				
Mitigation Measure	**Text**	**Party Responsible for Mitigation**	**Party Responsible for Monitoring**	**Timing**
CULTURAL RESOURCES				
7 (Secretary Standards for Rehabilitation)	The project sponsor shall ensure that the proposed project complies with the Secretary of the Interior's *Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings*. Prior to issuance of any building or demolition permit for the project, the project sponsor shall submit to the Port of San Francisco a copy of the Part II application that includes determinations from National Park Service (NPS) and State Historic Preservation Office (SHPO). The determinations shall confirm that the proposed rehabilitation would be consistent with the *Standards for Rehabilitation*, or would be consistent with the *Standards for Rehabilitation* with the implementation of certain conditions to which the project sponsor has agreed. If NPS and/or SHPO determines that the proposed rehabilitation would not be consistent with the *Standards for Rehabilitation* or if the project sponsor does not agree to any conditions required by NPS and/or SHPO to ensure consistency with the *Standards for Rehabilitation,* the project shall become subject to further environmental review by the City and County of San Francisco. In this circumstance, the project sponsor shall implement the following actions: The project sponsor shall notify the Planning Department's Environmental Review Officer (ERO) at the earliest opportunity of this project change. After notifying the ERO, the project sponsor shall retain the	Project sponsor	S.F. Planning Department (ERO) and Port: Planning & Development	The Port shall not issue a building or demolition permit for the project until the project sponsor submits proof that the National Park Service (NPS) and the State Historic Preservation Office (SHPO) have determined that the proposed rehabilitation meets the *Standards for Rehabilitation.* If the NPS or SHPO determines that the proposed rehabilitation would not be consistent with the *Standards for Rehabilitation* or if the project sponsor does not agree to any conditions required by NPS or SHPO to ensure consistency with the *Standards for Rehabilitation,* the

MITIGATION MONITORING AND REPORTING PROGRAM				
Mitigation Measure	**Text**	**Party Responsible for Mitigation**	**Party Responsible for Monitoring**	**Timing**
7 (cont.)	services of a qualified historic preservation consultant to assist the Planning Department in determining whether the proposed project meets the *Standards for Rehabilitation*. The historic preservation consultant shall prepare a draft historical resource evaluation report containing an assessment of the proposed project's consistency with the *Standards for Rehabilitation* and, if warranted, making recommendations for project modifications that would ensure consistency with the *Standards for Rehabilitation*. Based on this report and consultation with any departments, agencies, boards, or individuals deemed appropriate by the ERO, the ERO shall recommend, if warranted, project modifications to be implemented by the project sponsor. The project sponsor shall incorporate any recommended project modifications into the project design. Copies of the draft historic resource evaluation report prepared pursuant to this mitigation measure shall be submitted first and directly to the ERO for review. Following approval by the ERO, copies of the final report shall be sent to the project sponsor and the Port of San Francisco (the Port). The ERO shall receive three copies of the final report. The Port shall not issue a building permit for construction of the proposed project until the above conditions of this mitigation measure are satisfied.			project sponsor shall notify the Planning Department's ERO, who will coordinate the follow-up actions to ensure that the City is satisfied with the proposed rehabilitation.

MITIGATION MONITORING AND REPORTING PROGRAM				
Mitigation Measure	**Text**	**Party Responsible for Mitigation**	**Party Responsible for Monitoring**	**Timing**
8 (Archaeology)	Should evidence of an archaeological resource be encountered within Bay deposits in conjunction with activities of the proposed project, any activity that may adversely affect the potential archaeological resource shall be suspended and the project sponsor shall immediately notify the Planning Department's Environmental Review Officer (ERO). After notifying the ERO, the project sponsor shall retain the services of an archaeological consultant to assist the Major Environmental Analysis Division in determining the significance of the find. The archaeological consultant shall prepare a draft report containing an assessment of the potential significance of the find and, if warranted, make recommendations of actions that would minimize potential adverse effects on archaeological resources. Based on this report, the ERO would recommend, if warranted, specific additional mitigation measures to be implemented by the project sponsor. Mitigation measures might include additional investigations or data recovery by the archaeological consultant. The treatment of Native American human remains and of associated or unassociated funerary objects discovered shall comply with applicable State laws including notification of the Coroner of the City and County of San Francisco and of the California State Native American Heritage Commission (NAHC). Following completion of any archaeological program resulting from this mitigation measure, including programs of resource identification, recovery, evaluation, analysis, and/or interpretation, the archaeological consultant shall prepare a draft report documenting the archaeological resource(s) that was	Project Sponsor and Construction Contractor	S.F. Planning Department (ERO) and Port: Planning & Development	During construction

MITIGATION MONITORING AND REPORTING PROGRAM				
Mitigation Measure	**Text**	**Party Responsible for Mitigation**	**Party Responsible for Monitoring**	**Timing**
8 (cont.)	discovered, an evaluation as to its significance, and a description as to methods and strategies used in the archaeological field/laboratory/research program. Copies of the draft final archaeological report prepared according to this mitigation measure shall be submitted first and directly to the ERO for review. Following approval by the ERO, copies of the final report shall be sent to the project sponsor, the Port of San Francisco, the President of the Landmarks Preservation Advisory Board, and the California Archaeological Site Survey Northwest Information Center. The ERO shall receive three copies of the final archaeological report.			

MITIGATION MONITORING AND REPORTING PROGRAM				
Improvement Measure	**Text**	**Party Responsible to Perform**	**Party Responsible for Monitoring**	**Timing**
IMPROVEMENT MEASURES				
TRAFFIC				
1 (Loading/ unloading)	In order to ensure that adequate space is provided for truck loading/unloading facilities, at least 60 feet of the recessed curbside bay between Pier 3 and Pier 5 shall be designated for truck loading/unloading and passenger drop-off and pick-up only. Signage designating this area for truck loading & unloading and passenger drop-off and pick-up shall be posted.	Project Sponsor	Port: Real Estate and Planning & Development	During term of leasehold
2 (Traffic Congestion)	The project sponsor and construction contractor(s) will meet with the Port's Building Department and the Port's Real Estate Division to determine feasible measures to reduce traffic congestion, including potential transit disruption and pedestrian circulation impacts during construction of the project. Measures to be considered may include limiting construction truck movement to off-peak hours.	Project Sponsor, Construction Contractor and Port	Port: Real Estate and Engineering	During construction
AIR QUALITY				
3 (Particulate Emissions)	The project sponsor shall require the construction contractor(s) to spray the site with water during demolition and construction activities; cover stockpiles of demolition material; cover trucks hauling debris or demolition material; and sweep surrounding streets during demolition at least once per day to reduce particulate emissions. Ordinance 175-91, passed by the Board of Supervisors on May 6, 1991, requires that non-potable water be used for dust-control activities. Therefore, the project sponsor shall require that the contractor(s) obtain reclaimed water from the Clean Water Program for this purpose.	Project Sponsor and Construction Contractor	Port: Engineering	During construction

MITIGATION MONITORING AND REPORTING PROGRAM				
Improvement Measure	**Text**	**Party Responsible to Perform**	**Party Responsible for Monitoring**	**Timing**
3 (cont.)	The project sponsor shall require the project contractor(s) to maintain and operate construction equipment so as to minimize exhaust emissions of particulates and other pollutants, by such means as a prohibition on idling motors when equipment is not in use or when trucks are waiting in queues, and implementation of specific maintenance programs to reduce emissions for equipment that would be in frequent use for much of the construction period.			
BIOLOGY				
4 (Construction Debris and Demolition Plan)	Prior to project construction, the project sponsor, in cooperation with the Port's Building Department, the Port's Environmental Division, and the San Francisco Fire Department, will prepare a construction debris and spill containment plan to address the special problems associated with removing debris and managing spills of petroleum products or other hazardous substances during project construction. The debris and spill containment plan shall be incorporated into the construction specifications for the proposed project.	Project Sponsor, and Port	S.F.F.D. and Port: Environmental, Engineering and Planning & Development	Prior to project construction

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SAN FRANCISCO
PORT COMMISSION

FEBRUARY 27, 2003
MINUTES OF THE SPECIAL MEETING

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MEMBERS, PORT COMMISSION

HON. MICHAEL HARDEMAN, PRESIDENT
HON. KIMBERLY BRANDON, VICE PRESIDENT
HON. DENISE McCARTHY
HON. BRIAN McWILLIAMS

DOUGLAS F. WONG, EXECUTIVE DIRECTOR

CITY & COUNTY OF SAN FRANCISCO
PORT COMMISSION

MINUTES OF THE SPECIAL MEETING
FEBRUARY 27, 2003

1. ROLL CALL

Commission President Michael Hardeman called the meeting to order at 4:05 p.m. The following Commissioners were present: Michael Hardeman, Kimberly Brandon, Denise McCarthy and Brian McWilliams

2. APPROVAL OF MINUTES - February 11, 2003 Regular Meeting

ACTION: Commissioner McWilliams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; the minutes of the February 11, 2003 meeting were adopted.

3. EXECUTIVE

A. Executive Director's Report

- Combined Charities Campaign – Recognition Award

Mr. Wong announced that the Port has received an award from United Way and the City & County of San Francisco for having a significant increase in the amount of employee donations contributed through the San Francisco Combined Charities Campaign for 2002. An impressive $26,265 was donated this year, stepping up from last year's outstanding contribution of $21,065. Mr. Wong thanked all the captains who helped make the Campaign memorable and informative: Nelson Alvarado, Carla Bagneschi, Ozzie Camaano, Maria Chen, Denise Turner, and Phil Williamson. They helped plan the Port's first ever Charity Fair and encouraged those around them to give freely of themselves. Mr. Wong gave special thanks to Melissa Lo who coordinated these efforts on behalf of the Port of SF. Her dedication was very much appreciated.

4. CONSENT

A. Request for approval of early termination of Lease No. L-12978 with Butler Enterprises. (Resolution No. 03-12)

ACTION: Commissioner McWilliams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 03-12 was adopted.

B. Request for authorization to lease space to NextArts at a rate below the approved rent parameters. (Resolution No. 03-13)

ACTION: Commissioner McWilliams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 03-12 was adopted.

C. Request for authorization to record public access instrument for 5-foot extension to Wharf J1, Pier 49, for Alioto Fish Company, Ltd. (Resolution No. 03-14)

ACTION: Commissioner McWilliams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 03-12 was adopted.

D. Request for approval of Extension of Exclusive Right to Negotiate with San Francisco Cruise Terminal LLC for the Bryant Street Pier Project, including the James R. Herman International Cruise Terminal and Mixed Use Development Project, on Piers 30-32 and Seawall Lot 330, located at Bryant Street and The Embarcadero. (Resolution No. 03-15)

Randy Zurcher, Blue Water Network, indicated that they have been involved in this process for a long time. He wondered why staff was requesting for another extension of 90 days.

El St. John, San Franciscans for a Healthy Waterfront, indicated that extending the time to 120 days, instead of the 90 days, would give them an opportunity to do some more work since the approval process, through the government agencies, is slow. Since it was not mentioned that the developer would be charged an extension fee, she recommended that the developer be charged a nominal fee. They are working closely with Lend Lease to ease into a smoother transition. Although the Board of Supervisors approved the SEIR, they were not approving the project itself. The Board requested that the Port and Planning Commissions and their respective staffs work together to mitigate the issues. She requested the Port Commission to add a phrase on the resolution requesting both Commissions and their staffs to work together to mitigate the issues. She requested that they all work with them because she believed that the air, water and traffic pollution issues need to be looked at more closely and they would like an opportunity to mitigate those issues during the extension period. She realized that it is not customary to put that kind of wording in the document but it would show good faith efforts. She also requested to investigate other sites to mitigate the issues. She offered to provide the Commission copies of documents that they have provided to the Board of Supervisors. She mentioned that they scheduled a cruise terminal briefing with the Board and invited the Commission to attend in which experts from around the world will provide facts and figures regarding the cruise ship industry. The briefing will take place on March 12 at the Board of Supervisors Chambers.

ACTION: Commissioner McWilliams moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor; Resolution No. 03-12 was adopted.

5. ENGINEERING & MAINTENANCE

A. Request for permission to advertise for competitive bids for the Pier 24 Demolition Project. (Resolution No. 03-16)

Mr. Joe Roger, Engineering Department, presented the item and requested Commission's approval.

ACTION: Commissioner Brandon moved approval; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor; Resolution No. 03-16 was adopted.

6. PLANNING & DEVELOPMENT

A. Request for adoption of Mitigated Negative Declaration and Mitigation Monitoring Program; Approval of Lease Disposition and Development Agreement and Lease with San Francisco Waterfront Partners, LLC for the development and historic rehabilitation of Piers 1½ , 3 & 5 located between Washington Street and Broadway; Approval of Schematic Drawings; and Approval of Related Amendments to the *Waterfront Land Use Plan.* (Resolution No. 03-17) **THIS ITEM WAS DEFERREDTO THE CALENDAR.**

Commissioner Hardeman commented that staff spent tremendous amount of work on this item.

7. NEW BUSINESS/PUBLIC COMMENT

Commissioner McWilliams complimented staff for the installation of the informational wall right outside the Commission Meeting Room. It looks very attractive and it was nicely done. He commended staff for a job well done.

8. EXECUTIVE SESSION

A. Vote on whether to hold closed session to confer with Legal Counsel and Real Property Negotiator.

ACTION: Commissioner McCarthy moved approval; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

At 4:15 p.m., the Commission withdrew to executive session to discuss the following:

B. CLOSED SESSION

(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING AND ANTICIPATED LITIGATION MATTERS (Discussion and Action Items)

a. Discuss existing litigation matter pursuant to Section (a) of California Government Code Section 54956.9 and San Francisco Administrative Code Section 67.10(d) (1 case):

- F. Alioto Company, Inc. et al. v. City & County of San Francisco, et al., S. F. Superior Court Case No. 318360, filed January 25, 2001.

b. Discuss significant exposure to litigation pursuant to subdivision (b) of California Government Code Section 54956.9 (1 case as defendant).

(2) CONFERENCE WITH REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8.
This session is closed to any non-City/Port representative. *

a. Property: 817 Terry Francois Blvd.
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Kelly's Mission Rock, LLC: Jim Kelly

b. Property: Pier 33
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Lapis Restaurant: Sheila Zaki

c. Property: Pier 92
Person Negotiating: Port: Ken Winters, Director of Real Estate
*Specialty Crushing: Tom Chasm

9. RECONVENE IN OPEN SESSION

At 5:57 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Brandon moved approval to adjourn executive session and reconvene in open session; Commissioner McCarthy seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner McWilliams moved approval to not disclose any information discussed in executive session; Commissioner Brandon seconded the motion. All of the Commissioners were in favor.

10. ADJOURNMENT

ACTION: Commissioner Brandon moved approval to adjourn the meeting; Commissioner McWilliams seconded the motion. All of the Commissioners were in favor.

The meeting was adjourned at 5:57 p.m.